

## FINANCIAL CONDITION (E) COMMITTEE

Financial Condition (E) Committee Aug. 14, 2021, Minutes

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## **Draft Pending Adoption**

Draft: 8/14/21

Financial Condition (E) Committee  
Columbus, Ohio  
August 14, 2021

The Financial Condition (E) Committee met August 14, 2021. The following Committee members participated: Scott A. White, Chair (VA); Michael Conway, Vice Chair, (CO); Dana Popish Severinghaus (IL); Amy L. Beard represented by Roy Eft (IN); Eric A. Cioppa (ME); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Chaney (MS); Russell Toal (NM); Linda A. Lacewell represented by Sud Sunit (NY); Judith L. French, Dale Bruggeman, and Tom Botsko (OH); Raymond G. Farmer (SC); Doug Slape and Jamie Walker (TX); Mark Afable (WI); and Jeff Rude (WY).

### **1. Adopted its July 8 and Spring National Meeting Minutes**

Commissioner White said the Committee met July 8 and took the following action: 1) adopted changes to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) that are intended to make explicit, rather than implicit, the regulatory authority that a commissioner should have relative to the continuation of essential services of an insurance company from an affiliate during a receivership; and 2) updated the life risk-based capital (RBC) bond factors effective for the 2021 reporting period.

Director Farmer made a motion, seconded by Commissioner Rude, to adopt the Committee's July 8 (Attachment One), and April 13 (*see NAIC Proceedings – Spring 2021, Financial Condition (E) Committee*) minutes. The motion passed unanimously.

### **2. Adopted the Reports of its Task Forces and Working Groups**

Commissioner White stated that the Committee usually takes one motion to adopt the Committee's task force and working group reports that are considered technical, noncontroversial, and not significant by NAIC standards—i.e., they do not include model laws, model regulations, model guidelines, or items considered to be controversial. He reminded members of the Committee that subsequent to the Committee adoption of its votes, all the technical items included within the reports adopted will be sent to the NAIC members for review shortly after the conclusion of the Summer National Meeting as part of the E-Committee Technical Changes Report. Pursuant to the Technical Changes Report process previously adopted by the NAIC Plenary, the members will have 10 days to comment, otherwise the technical changes will be considered adopted by the NAIC and effective immediately. With respect to the task force and working group reports, Commissioner White asked the Committee: 1) whether there were any items that should be discussed further before being considered for adoption and sent to the members for consideration as part of the E-Committee Technical Changes Report; and 2) whether there were other issues not up for adoption that are currently being considered by task forces or workgroups reporting to this Committee that require further discussion. The response to both questions was no.

In addition to presenting the reports for possible adoption, Commissioner White also noted that the Financial Analysis (E) Working Group met July 14, June 16, May 18–19, and April 19 in regulator-to-regulator sessions, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss letter responses and financial results. Additionally, the Valuation Analysis (E) Working Group met July 26 in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities, or individuals) of the NAIC Policy Statement on Open Meetings, to discuss valuation items related to specific companies.

Commissioner Slape made a motion, seconded by Director French, to adopt the following task force and working group reports: Accounting Practices and Procedures (E) Task Force; Capital Adequacy (E) Task Force; Examination Oversight (E) Task Force; Financial Stability (E) Task Force; Receivership and Insolvency (E) Task Force; Reinsurance (E) Task Force; Risk Retention Group (E) Task Force; Valuation of Securities (E) Task Force; Group Capital Calculation (E) Working Group (Attachment Two); Group Solvency Issues (E) Working Group (Attachment Three); Mortgage Guaranty Insurance (E) Working Group (Attachment Four and Five); Mutual Recognition of Jurisdictions (E) Working Group (Attachment Six); NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group (Attachment Seven); and National Treatment and Coordination (E) Working Group (Attachment Eight).

### **3. Adopted a Referral to the Statutory Accounting Principles (E) Working Group**

Commissioner White directed the Committee to a draft memorandum, which he explained was drafted by NAIC staff at his

## **Draft Pending Adoption**

direction, as a means to start a conversation about modifying some of the terminology within the statutory accounting maintenance process. He noted that during the course of discussing *Statement of Statutory Accounting Principles (SSAP) No. 71—Policy Acquisition Costs and Commissions*, there was confusion about the term “non-substantive.” He suggested that while everyone was aware that the SSAP No. 71 issue was debated extensively at the Statutory Accounting Principles (E) Working Group, and therefore a deliberative discussion equivalent of what occurs for a new accounting pronouncement took place, the term “non-substantive” was still confusing. He asked members of the Committee to consider where they agreed with the concept of referring the issues to the Statutory Accounting Principles (E) Working Group so that it could further develop the final language. No objections or questions were raised.

Superintendent Cioppa made a motion, seconded by Commissioner Conway, to refer the memorandum to the Statutory Accounting Principles (E) Working Group (Attachment Nine). The motion passed unanimously.

### **4. Adopted Revisions to the Process for Evaluating Qualified and Reciprocal Jurisdictions**

Mr. Rehagen described that the *Process for Evaluating Qualified and Reciprocal Jurisdictions* (process document) was first adopted by the NAIC in 2013, and its purpose was to provide a documented evaluation process for creating and maintaining the NAIC List of Qualified Jurisdictions. She noted that the process document was updated to incorporate the 2019 revisions to the *Credit for Reinsurance Model Law (#785)* and *Credit for Reinsurance Model Regulation (#786)* addressing reciprocal jurisdictions, and to make some revisions to the requirements for the re-evaluation of qualified jurisdictions. He emphasized how it was considered important to amend the process quickly in order to complete the reciprocal jurisdiction reviews for Bermuda, Japan, and Switzerland by the end of 2019. However, it was necessary to further improve the document in order to incorporate provisions for terminating the status of a qualified or reciprocal jurisdiction, and for creating a passporting process for reciprocal jurisdictions. A new draft was exposed for a 30-day public comment period on March 23, and four comment letters were received from interested parties.

Mr. Rehagen noted that the newly repurposed Mutual Recognition of Jurisdictions (E) Working Group met on May 27 and incorporated the suggested revisions from the comment letters. In addition, NAIC staff met with the Federal Insurance Office (FIO) on July 23 and incorporated some of the FIO’s suggestions, which added some clarifications to the process document. The Reinsurance (E) Task Force then adopted the revised process document on July 27.

Mr. Rehagen made a motion, seconded by Director Farmer, to adopt the revisions to the *Process for Evaluating Qualified and Reciprocal Jurisdictions* (Attachment Ten) and refer it to Plenary after this meeting for consideration of adoption. The motion passed unanimously.

### **5. Adopted Revised Charges for the Renamed Macroprudential (E) Working Group**

Commissioner White described how the Financial Stability (E) Task Force was just now beginning its work on its macroprudential surveillance system, and with that there is a need to modify the charges to focus the Liquidity Stress Test Working Group on the elements of such a system, and at the same time, change the name to reflect that fact.

Mr. Rehagen made a motion, seconded by Mr. Eft, to adopt the revised charge for the renamed Macroprudential (E) Working Group (Attachment Eleven). The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

Draft: 7/13/21

Financial Condition (E) Committee  
Virtual Meeting  
July 8, 2021

The Financial Condition (E) Committee met July 8, 2021. The following Committee members participated: Scott A. White, Chair (VA); Michael Conway, Vice Chair, (CO); Dana Popish Severinghaus and Eric Moser (IL); Eric A. Cioppa (ME); Chlora Lindley-Myers represented by John Rehagen (MO); Mike Chaney represented by Mark Cooley (MS); Marlene Caride (NJ); Russell Toal represented by Leatrice Geckler (NM); Linda A. Lacewell represented by My Chi To (NY); Judith L. French and Tom Botsko (OH); Raymond G. Farmer represented by Mike O'Shaul (SC); Doug Slape represented by Jamie Walker and James Kennedy (TX); and Jeff Rude (WY). Also participating were Philip Barlow (DC); and Mark Afable (WI).

1. Adopted Changes Model #440 and Model #450

Mr. Kennedy described how in 2020, the Receivership Law (E) Working Group of the Receivership and Insolvency (E) Task Force was given the charge to provide recommendations for remedies to ensure the continuity of essential services and functions to an insurer in receivership by affiliated entities. This includes nonregulated entities and specifically for agreements with affiliated entities whose sole business purpose is to provide services to the insurance company. This charge came out of prior recommendations from the Receivership and Insolvency (E) Task Force as part of the Macroprudential Initiative (MPI) that identified continuation of essential services as an area where regulatory powers are implicit rather than explicit. He said the experiences of state insurance regulators have shown that receivers continue to be challenged by this issue as current remedies may not immediately address the need to continue services in receivership. He described how the NAIC adopted a Request for NAIC Model Law Development in 2020 to open the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450) for this purpose and how the Working Group began meeting in 2020. He described how they first conducted a survey to identify recommendations for how to address this issue, including amendments to the models. The draft amendments to both models were exposed for public comment twice with subsequent revisions made to address comments. The amendments to Model #440 were exposed a third time following a final round of edits and in all discussions that was active participation by state insurance regulators and interested parties.

Mr. Kennedy described the specific changes to Model #440, which are within Section 5, Standards and Management of an Insurer Within an Insurance Holding Company System, and within Model #450 as found in Section 19, Transactions Subject to Prior Notice. They are specific to the provisions of affiliated cost sharing and management services agreements. He explained that includes requirements that the books and records of the insurer be updated to specifically include data of the insurer, being the property of the insurer. The data and records should be identifiable and capable of segregation—essentially, available to the receiver in the event of insolvency, including the systems necessary to access them. The data is specifically defined in Model #450. If the insurance commissioner deems the insurer to be in a statutorily defined hazardous financial condition, he or she may require a bond or deposit, limited in amount, after consideration of whether there are concerns about the affiliated party's ability to fulfill the contract in the event of a liquidation. The premiums are the property of the insurer, with any right of offset subject to receivership law. The affiliated entity is subject to jurisdiction of receivership court, and in certain circumstances, the insurance commissioner may require the affiliate to agree to this in writing. The models include provisions relating to indemnification of the insurer in the event of gross negligence or willful misconduct by the affiliate. Finally, in the event of receivership, including supervision and conservatorship, the rights of the insurer extend to the receiver or guaranty fund. Also, the affiliate will make available essential personnel. The affiliate will continue the services for a minimum period of time as specified in the agreement with timely payment for post-receivership work. Finally, the affiliate will maintain necessary systems, programs or infrastructure and make them available to the receiver or insurance commissioner for as long as the affiliate receives timely post-receivership payment unless released by the receiver, insurance commissioner, or receivership court.

Mr. Kennedy noted that the Working Group and the Task Force adopted the amendments on May 4 and May 20, respectively.

Mr. Kennedy made a motion, seconded by Commissioner Conway, to adopt the changes to Model #440 and Model #450 as presented to the Committee. The motion passed unanimously.

2. Adopted the Life RBC Bond Factors (2021-1L)

Mr. Botsko described how the proposed changes to the life risk-based capital (RBC) bond factors have had a difficult road to get to this point. He noted that after years of discussion, state insurance regulators believed they have reached an acceptable set of factors that will be effective for the 2021 reporting period. He described how state insurance regulators had learned many things from this process, including to have a more inclusive discussion about what assumptions to consider in the model for the analysis. He described how the American Academy of Actuaries (Academy) and Moody's each prepared a set of life RBC bond factors from their individual models. While each set of factors provided a similar impact to the total RBC for the companies, there were some slight differences. He said that as is the case with many models, some are informative, but most are wrong. However, in this case, state insurance regulators believed the results of each model provided a better reflection of the risks associated with bonds for RBC purposes. He described how the adopted factors by both the Life Risk-Based Capital (E) Working Group and Capital Adequacy (E) Task Force represent years of discussion and work by state insurance regulators, the Academy, and industry. He stated that state insurance regulators agree that these factors are a better reflection of bond risk for the robust set of bond categories.

Mr. Botsko repeated that state insurance regulators learned many important things from this process. One item in particular is to spend more time determining the specifics of the analysis, as well as discussing the assumptions with industry before beginning the modeling procedure (or analysis) for projects. While regulators have shared potential projects in the past, state insurance regulators learned that for projects of this nature, they need to have better discussions with all involved parties, particularly in the early stages. He stated that while the various parties involved may not agree on everything, they need to reach a consensus and move forward. He stated that as the RBC working groups continue with their current and future projects, they will provide transparent processes and analysis to all parties involved. While these groups believe they have done this in the past, they will make a better effort to achieve this. Mr. Barlow described the degree of work involved but the good product that resulted. He noted they had two viable alternatives, and while they went with the proposal submitted by Moody's, there was overlap in the methods and the assumptions, although ultimately the one selected was based upon the assumptions and not methods.

Commissioner White provided a special thanks to Mr. Botsko; the chair of the Life Risk-Based Capital (E) Working Group, Mr. Barlow; all the members of that Working Group; members of the Academy; and members of the industry who helped to complete this project. He stated that while the project has taken some time, he appreciates the effort from the people involved.

Commissioner Caride made a motion, seconded by Commissioner Rude, to adopt the proposed changes to the life RBC bond factors as presented to the Committee. The motion passed unanimously.

Having no further business, the Financial Condition (E) Committee adjourned.

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Draft: 8/3/21

**Group Capital Calculation (E) Working Group**  
*Virtual Meeting (in lieu of meeting at the 2021 Summer National Meeting)*  
July 26, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met July 26, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Philip Barlow (DC); Ray Spudeck and Virginia Christy (FL); Carrie Mears (IA); Susan Berry (IL); Roy Eft (IN); Christopher Joyce (MA); Judy Weaver and Steve Mayhew (MI); Barbara Carey (MN); Jessica Price (NC); Justin Schrader (NE); David Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman (OH); Greg Lathrop (OR); Kimberly Rankin (PA); Hui Wattanaskolpant (TN); Amy Garcia (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI). Also participating was: Tom Botsko (OH).

**1. Adopted its May 27, May 17, April 27, and March 10 Minutes**

During its May 27, May 17, April 27, and March 10 meetings, the Working Group took the following action: 1) adopted a revised template for use in the 2021 group capital calculation (GCC) trial implementation, including changes to gather data on a stress scenario; 2) adopted clarifying edits to the GCC instructions that will be used for the 2021 GCC trial implementation; and 3) exposed proposed changes to the *Financial Analysis Handbook* (Handbook) for the GCC.

Mr. Eft made a motion, seconded by Mr. Schrader, to adopt the Working Group's May 27 (Attachment Two-A), May 17 (Attachment Two-B), April 27 (Attachment Two-C), and March 10 (*see NAIC Proceedings – Spring 2021, Financial Condition (E) Committee, Attachment Two*) minutes. The motion passed unanimously.

**2. Exposed Draft Maintenance Documents**

Mr. Rehagen suggested that the Working Group develop certain maintenance documents related to the GCC and directed participants to draft documents that could meet such needs. He described how these documents would allow the same kind of process as used by other groups, which is to allow anyone (state insurance regulator, industry, consumer, etc.) that wants to present proposed changes to the GCC to do so by first completing a form. He noted that the specific forms developed involved NAIC staff basically taking similar forms for risk-based capital (RBC) forms and updating them for what would be needed for the GCC.

Mr. Rehagen suggested that the main purpose of these forms is to establish some rules so that everyone understands the timeline for when changes need to be adopted by the Working Group to be effective that year. He noted that initially, the forms use the same dates as used for RBC, which means that any change to the template must be adopted by April 30, and all other changes need to be adopted by June 30.

The Working Group agreed to expose GCC maintenance documents for a 60-day public comment period ending Sept. 24.

**3. Exposed a Draft Referral to the Capital Adequacy (E) Task Force**

Mr. Rehagen directed participants to a draft referral to the Capital Adequacy (E) Task Force. He described that the main purpose of the referral is to make the RBC working groups aware of differences between the GCC and RBC and whether RBC working groups believe making changes to RBC for consistency would be appropriate.

Dan Daveline (NAIC) provided more details regarding differences between the GCC and RBC as documented in the draft memorandum. He described how in developing the GCC, most of the discussions were revolved around the treatment of non-insurance and non-financial related entities to achieve consistency between the GCC and RBC. Specifically, the desire by all parties is for the same GCC treatment, whether entities are owned by an insurer or by a sister company. Mr. Daveline noted that in the end, the GCC adopted a factor that mirrored the result within the RBC post-covariance factor. He stated that because of that, there were fewer differences between the GCC and RBC than what was originally envisioned, but he noted how NAIC staff still believe it is appropriate to present a list of such items to the extent that RBC working groups want to consider changes for consistency purposes. He described how there are three types of entities for consideration, but ultimately, the question is whether the RBC working groups want to modify their formulas to be more consistent with the GCC.

Mr. Daveline described that the first item on the list deals with how the GCC treats insurance companies, most of which are foreign insurance companies. The GCC brings in the minimum capital required by the regulator for a foreign insurance company. This is to show respect for the authority of that regulator, as state insurance regulators would like to receive a reciprocal response on the U.S. basis, but also because this is the most relevant measure of capital at risk. Mr. Daveline noted that the second item on the list is similar in terms of the GCC treatment, but it pertains to other regulated entities such as banks. The last item on the list shows how the GCC treats other financial entities such as asset managers, investment advisors, and other financial entities. In the GCC, a factor is applied to their average revenues, while in RBC, a different factor is applied to the book/adjusted carrying value (BACV) for these entities. Mr. Daveline pointed out that as has been argued in the past, the RBC approach of using BACV as the base instead of average revenue may make more sense since RBC pertains to directly owned subsidiaries where the BACV may be the most relevant measure.

Mariana Gomez-Vock (American Council of Life Insurers—ACLI) noted support for a memo that summarizes the differences between the GCC and RBC. However, the ACLI expressed concern regarding whether the RBC groups should modify the RBC formulas to be more consistent with the GCC when a trial implementation of the GCC has not yet been completed. Specifically, she noted that the GCC approach for investment advisors and asset managers is new and has never been tested before. Therefore, she suggested removing the last sentence in the second paragraph of the memo so that the adoption of the GCC approach would not be proposed for considerations by the RBC working groups. Mr. Daveline stated that it is not going to be problematic to have this sentence stricken if the Working Group agreed. Mr. Eft agreed with striking this sentence, and the Working Group is not opposed; therefore, it was stricken as requested.

Mr. Botsko, chair of the Capital Adequacy (E) Task Force, stated his appreciation for the groups responsible for the GCC and RBC sharing information on a regular basis. Acknowledging many parallels between the two, he considered it extremely important to be consistent with each other as much as possible. Except for those items with different approaches where appropriate, both groups should take into consideration those items that could be changed by either the GCC or RBC and determine whether their formulas are appropriate.

Lou Felice (NAIC) recommended identifying categories in RBC that are different from the GCC and having an actual structure of formulas ready for those areas that could be changed for consistency purposes.

The Working Group agreed to expose the draft referral document for a 90-day public comment period ending Oct. 25.

#### 4. Discussed Other Matters

The trial implementation is approaching its deadline at the end of the week. NAIC staff can be reached for questions. The draft Handbook guidance is being exposed for comment. Once comments are received, there will likely be another call. NAIC staff may make additional edits based on comments, run them by the state insurance regulators or the drafting group, and re-expose them again.

Having no further business, the Group Capital Calculation (E) Working Group adjourned.

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Draft: 6/4/21

Group Capital Calculation (E) Working Group  
Virtual Meeting  
May 27, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met May 27, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Ray Spudeck (FL); Carrie Mears (IA); Susan Berry (IL); John Turchi and Christopher Joyce (MA); Judy Weaver (MI); Barbara Carey (MN); Jackie Obusek (NC); Justin Schrader (NE); Dave Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman and Tim Biler (OH); Kimberly Rankin (PA); Trey Hancock (TN); Jamie Walker (TX); David Smith (VA); and Levi Olson (WI).

1. Adopted a Stress Scenario in the GCC Trial Implementation Instructions and Template

Mr. Rehagen introduced the first agenda item by stating that the purpose of the meeting is to select a standardized percentage to be used for all groups as a stress scenario and adopt the stress scenario instructions and related template changes. He added that in addition to the standard approach, the group capital calculation (GCC) filer manually adds entity categories not adjusted in the standard approach if it is believed that would assist in analyzing the impact of a change in debt allowance on the GCC ratio. The manual entries are not required, but all companies will report at least one GCC result using the standard approach. Mr. Rehagen stated that both the standardized stress tabs and the narrative are intended to be part of the Trial only, and they will not be carried forward. However, there may be some role in the future in the analysis guidance that was recently exposed for reviewing how the group assesses stress scenarios. Mr. Rehagen added that the purpose of the standardized stress scenario is to evaluate its impact on the amount of senior and hybrid debt that can be included as additional capital. If no debt allowance is requested, then the GCC filer can state that such is the case in the separate narrative that is included in the Trial template.

Mr. Rehagen stated that a comment letter from America's Health Insurance Plans (AHIP) was received and included in the materials (Attachment Two-A1) on the revised stress scenario instructions and separate narrative, along with several emails requesting clarifications. He stated that in response, revisions were made to pages 44, 47, 53 and 54 of the instructions (Attachment Two-A2). Tom Finnell (AHIP) suggested some further revisions to the instructions, and he questioned whether the standard stress scenario was connected to the separate narrative. Lou Felice (NAIC) explained the changes commented on and agreed that some revisions could be made. He also stated that the separate narrative is not necessarily related only to looking at debt. Mr. Finnell stated that the Own Risk and Solvency Assessment (ORSA) is a better way to assess capital adequacy than a simplistic narrative. Mr. Rehagen restated that the stress scenario and the narrative are only for the Trial, and other methods would continue via analysis going forward. Mr. Belfi stated that she would use the narrative to assess the impact on the debt allowance. Mr. Rehagen noted that the stress scenario and narrative are optional. Mr. Felice noted that if the filer supports a different level of stress than is selected for the standardized stress scenario, the lead-state can adjust the percentage in the template as part of its analysis to assess the impact on the debt allowance. He presented some additional language to address the comments by Mr. Finnell and Ms. Belfi. There were no objections or further comments on the new language.

Mr. Felice summarized the remaining revisions made prior to today's meeting, noting that there are some optional entries that can be added by the filer to adjust the calculated capital for entity types not adjusted in the standardized stress scenario. These entries are optional but if utilized, must be made at the standardized stress percentage; i.e., 30%. Mr. Felice stated that the standardized stress scenario will otherwise be populated and summarized automatically regardless of whether there was a debt allowance included in the Trial template. Ned Tyrrell (NAIC) agreed that this method is preferable to having two different Trial templates. Mr. Felice presented revisions discussed earlier, and there were no comments on those revisions.

Mariana Gomez-Vock (American Council of Life Insurers—ACLI) expressed her organization's support for a 30% standard stress level based on the impact of such a stress level on the potential movement from current industry risk-based capital (RBC) operating levels to an RBC action level. Kevin Mackay (MetLife) said MetLife supports the 30% standard stress level as a point where procyclicality would materially affect the debt allowance, noting that balance sheet valuation can be affected differently for different entities, such as foreign insurers. Mr. Rehagen asked if there are any objections to using 30% as the standardized stress level. There were no objections or further comments.

Mr. Rehagen asked if any revisions are required to the Trial template. Mr. Tyrrell stated that the now selected standardized stress scenario of 30% will be added to the Trial template.

Ms. Belfi made a motion, seconded by Mr. Spudeck, to adopt the GCC stress scenario instructions with today's edits along with the template for the Trial Implementation. The motion passed unanimously.

2. Discussed Next Steps Toward the Start of the 2021 GCC Trial Implementation

Mr. Rehagen announced that a GCC Trial volunteer call will be held June 17, and a notice will go out soon about the steps to get to the start of the Trial. He stated that NAIC staff can now start taking questions and will provide a question and answer (Q&A) process. Mr. Felice stated that he will check on the status of the confidentiality agreements and work to get them out to the lead-states with volunteers participating in the Trial as soon as possible.

3. Discussed Other Matters

Mr. Rehagen and Ms. Belfi recognized the contributions to the GCC project by Mr. Felice, who will be retiring later this year. He also introduced Jane Ren (NAIC), who will be transitioning into her NAIC support staff roll for the Working Group.

Having no further business, the Group Capital Calculation (E) Working Group adjourned

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May 25, 2021

Dan Daveline  
Director, Financial Analysis  
National Association of Insurance Commissioners  
By e-mail to: [ddaveline@naic.org](mailto:ddaveline@naic.org)

Lou Felice  
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**Re: Further Comments - Revisions to Instructions and Stress Testing Proposal for the 2021  
GCC Trial Implementation**

Gentlemen:

America's Health Insurance Plans (AHIP) is pleased to offer these further comments to the Group Capital Calculation (E) Working Group's exposure of proposed revisions to the GCC Instructions and Template relating to stress scenarios. Following are a few overarching comments, then some detailed comments accompanying the highlighted excerpts from the GCC Instructions that are subject of the current exposure process. We would be pleased to discuss these comments with you and GCCWG members at your convenience.

**Overarching Comments:**

1. Relation to ORSA: While we appreciate the interest in what may be a “reasonably likely” stress scenario, our members believe that is a topic that would be better addressed in the ORSA than in the GCC. Our members currently provide ample information about stress testing and related analysis of capital adequacy in their ORSAs, which include numerous scenarios (not just one) and at levels which exceed what might be deemed “reasonably likely.” There is also much that currently exists in the ORSA that provides underlying context to evaluate stress scenarios. By contrast, the very brief instruction and requested input about a single stress scenario as proposed in the GCC lacks that context, and risks being at conflict with the ORSA. Our members support inclusion of a standardized stress/shock for the purpose of evaluating the appropriateness of the GCC in respect of the possibility of procyclical impact of stress on the debt allowance. However, they believe that

delving into what may be a “reasonably likely” stress would be better addressed through ORSAs than the GCC and its Instructions.

2. Required v. optional inputs: Recent discussion of the GCCWG sought to clarify what may be required or optional in respect of quantitative data elements as well as narrative text to be provided in the GCC template. However, our members find the verbiage in the exposed sections of text to remain unclear; please see detail comments that follow.
3. “Trial Implementation v. actual implementation of the GCC: It is our understanding that the initial stress test proposal which had as its specific purpose to evaluate the appropriateness of the GCC in respect of the debt allowance would be for the upcoming “Trial Implementation” only, i.e., that the stress test would not be included in the template that would be used for reporting to the Lead State once the GCC had been implemented by the state by law or regulation. Could you please confirm our understanding? And would that also be the case for the inputs sought by the current exposure, i.e., a narrative description of a reasonably likely stress for the group (and accompanying group-specific calculations, if applicable)? If not, AHIP and its members would have further concerns.

Detailed Comments:

In the sections that follow, we have excerpted from the exposed documents the relevant highlighted text that is open for exposure, together with AHIP’s comments thereon.

Page 44:

(Note: the highlighted language below would be added to a section of the Instructions that pertains to an “Input 6” tab with other narrative responses and questions. That tab now has a text box with the following instruction: “[Placeholder question on stress scenario] Please provide a high-level narrative of what level or reduction in available capital is reasonable for the Group, potential risk factors leading to the loss (e.g., interest rate changes, catastrophe, etc.) and how calculated capital may be impacted.”)

Stress Scenario Narrative – Provide a high-level description of the anticipated market conditions or other **or other** reasonably likely group specific drivers that would lead to the group’s own specified level of stress results (i.e., the group specific potential adjustments to available capital and calculated capital). These may or may not align with the standardized adjustments calculated in the Stress Summary tab. In addition, provide any comments relating to the potential for procyclical GCC ratio results in specific areas of the calculation.

AHIP Comments:

1. It was not clear from the call on May 17 as to how much of the group-specific inputs (as opposed to the standardized calc) and related narrative would be optional on the part of the participating group. Upon seeing the proposed text, the matter seems to

remain unclear. The template (“stress inputs” tab) makes it appear that any inputs to columns Y: AH are “optional.” In contrast, the text above suggests a group-specific result is required because a narrative is required to describe it.

- a. Does the word “optional” above columns Y: AH mean it does not need to be completed at all? However, if a trial implementation participant left all those cells blank would it imply to the lead state that one of the standardized tests is “appropriate” for its business model?
  - i. And, if the latter, would the narrative that is requested above ask to describe a specific scenario that could reasonably result in the outcome shown by that standardized calc? Would any narrative be required if the company submits only the standard calc, thus implying it represents a reasonable stress for the group? Note: *AHIP’s view is that neither an omission of input data nor of narrative text should imply anything about stress levels impacting a group; if the firm preparing the template is of the view that the standardized calc is reasonable, the instructions should ask for the preparer to so state in its response.*
  - ii. If a company believes the standard calculation does not represent a reasonable stress, could they (1) explain that in the narrative and describe what may be a reasonable stress, and (2) omit entry in any of the cells in columns Y:AH, i.e., the alternative calculation would be optional, but the narrative is nonetheless required?. Alternatively, is the company required to show custom changes in Y:AH to document a result that it believes to be reasonably likely?
  - iii. If changes were made in Y:AH such that the calculation differs to some degree from the standardized calc, then the narrative is intended to describe a corresponding scenario that could lead to that result instead?
2. The above paragraph is hard to fully grasp without a more complete understanding of the complete stress proposal which is included as an appendix that appears 6-7 pages later in the document. Sequentially, it would be better to completely explain the stress test earlier in the document, i.e., to move the appendix from pages 52-53 ahead of this paragraph. Then, the reader would have the overall context to better understand this more specific instruction dealing with the stress test inputs. At a minimum, the paragraph here should refer the reader to the appendix for a fuller description of the stress test.
3. Please see also the marked text correction in the highlighted text above.

### Stress Inputs

93. All entries in columns D:W of this tab are either calculation cells using data from within the tab or using data populated from elsewhere in the template in a standardized approach. Available capital and calculated capital for all entities using the standardized stress level of xx% will be reported in this tab. The calculated values will be summarized in the “Stress Summary” tab.
94. The filer may use the available Company Input section in the tab (columns Y:AH) that allows data entry in order to apply the standardized stress level to additional entity categories not covered in the standardized approach (e.g., foreign insurers subject to scalars in the sensitivity analysis). The inputted values will be summarized in the “Stress Summary” tab.
95. A separate text narrative describing the group’s own assumptions on potential stress drivers should be included in the Input 6 tab as specified in the instructions for the Input 6 tab.  
**NOTE:** Also see Appendix 2 for more detail.

### Stress Summary

96. Summarized results by entity type will be reported in this tab.

AHIP Comments:

- See suggested changes in marked text above
- Para 94 seems to conflict with AHIP’s comments about Page 44 (included above). Whereas there seems to be the ability to make optional changes to any of the standardized results, para 53 says that data entry here would only “apply the *standardized* stress level to additional entity categories not covered in the *standardized approach....*” It does not ask for any other group-specific entries that could be inconsistent with the standardized approach.
- With regard to para 94 as to “entity categories not covered in the standardized approach”, the parenthetical starts with “e.g.” (for example). If that is the only such case, it should be “i.e.” Alternatively, if there are other cases of entity categories that are not covered in the standardized approach, they should be listed or, at a minimum, a reference should be made to the location in the document where it is clear what entities are and are not covered.
- Paragraph 95 – See AHIP’s overarching comments, above, in relation to ORSA.

Page 52:

Data for industrywide U.S RBC ratios is sourced from the aggregate RBC Statistics maintained by the NAIC. Data for industrywide capital ratios for foreign insurance jurisdictions was derived from publicly available aggregate

industry data ~~where available~~. If this scalar methodology is retained, then the data will require periodic updating.

AHIP Comments:

- See suggestions in marked text.

Page 53:

(ATF note: there were a couple of insertions of the word “standardized” on page 52; the text from page 52 text is not included as those insertions appeared fine.

112. (continuation of para 112): Further adjustments to the calculated capital based on scalars used in the Sensitivity analysis and other selected adjustments to calculated capital can also be considered (see Company Input section in the “Stress Inputs” tab). Other potential user driven adjustments may be added to the template using the Optional Inputs section in the Stress Inputs tab. Desired inputs will automatically be brought into in the new Stress Summary tab
113. **Outputs:** The GCC template will be configured to automatically calculate outputs and resulting GCC ratios using the inputs above at various additional standardized levels of stress (e.g., 20%, 30% etc.) including the impact on the allowance for qualifying debt. This can be presented on an additive basis (e.g. start with reduction in available capital alone and then add the impact on each entity type’s calculated capital one at a time building to the full scenario outlined in the chart, above.

Additional Information:

114. Although the impact on adjusted carrying value in this scenario is ~~standardized, such generic assumptions cannot be prescribed. Assumptions vary by industry and product mix as the underlying cause and the effect on the adjusted carrying value varies group to group. Therefore, each group submitting data should provide a high-level narrative in the space provided in the “Input 6” tab, describing the unique assumptions and corresponding stress levels (% adjustments) in available capital and calculated capital considered appropriate by the group). The assumptions provided in the narrative are NOT required to align with the standardized adjustments reported in the “Stress Inputs” tab.~~

AHIP Comments:

- Para 112: Does the second sentence shown (“Other potential user driven adjustments....” relate to the first sentence and adjustments based on scalars only? Or is it a separate item altogether? If the latter, it would be better shown as a separate paragraph.

- Para 114: This seems to mandate the company to effectively assert that a standard calc is “appropriate” or to define and show one that is. It remains unclear if anything is optional at all, which seems at odds with some of the statements made by working group members and NAIC staff on the May 17 call.

We hope that you find our comments as helpful and directed toward making the entire Group Capital Calculation project a better one. As always, we would be glad to address any questions you may have.

Sincerely,

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501-333-2621

Cc: Tom Finnell



## **NAIC GROUP CAPITAL CALCULATION INSTRUCTIONS**

**(REVISED May 27, 2021)**

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## I. Background

1. In 2015, the ComFrame Development and Analysis (G) Working Group held discussions regarding developing a group capital calculation (GCC) tool. The discussions revealed that developing a GCC was a natural extension of work state insurance regulators had already begun, in part driven by lessons learned from the 2008 financial crisis which include better understanding the risks to insurance groups and their policyholders. While insurance regulators currently have authorities to obtain information regarding the capital positions of non-insurance affiliates, they do not have a consistent analytical framework for evaluating such information. The GCC is designed to address this shortcoming and will serve as an additional financial metric that will assist regulators in identifying risks that may emanate from a holding company system.
2. More specifically, the GCC and related reporting provides more transparency to insurance regulators regarding the insurance group and make risks more identifiable and more easily quantified. In this regard, the tool assists regulators in holistically understanding the financial condition of non-insurance entities, how capital is distributed across an entire group, and whether and to what degree insurance companies may be supporting the operations of non-insurance entities, potentially adversely impacting the insurance company's financial condition or policyholders. This calculation provides an additional analytical view to regulators so they can begin working with a group to resolve any concerns in a manner that will ensure that policyholders of the insurers in the group will be protected. The GCC is an additional reporting requirement but with important confidentiality protections built into the legal authority. State insurance regulators already have broad authority to take action when an insurer is financially distressed, and the GCC is designed to provide Lead State Regulators with further insights to allow them to reach informed conclusions on the financial condition of the group and the need for further information or discussion.
3. State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system based on currently available information; however, they do not have the benefit of a consolidated statutory accounting system and financial statements to assist them in these efforts. It was noted prior to development that a consistent method of calculating group capital for typical group risks would provide a useful tool for state financial regulators to utilize in their group assessment work. It was also noted that a GCC could serve as a baseline quantitative measure to be used by regulators in to compliment the view of group-specific risks and stresses provided by the Own Risk and Solvency Assessment (ORSA) Summary Report filings and in Form F filings that may not be captured in legal entity filings.
4. During the course of several open meetings and exposure periods, the ComFrame Development and Analysis (G) Working Group considered a discussion draft which included three high-level methodologies for the GCC: a risk-based capital (RBC) aggregation approach; a statutory accounting principles (SAP) consolidated approach; and a generally accepted accounting principles (GAAP) consolidated approach. On Sept. 11, 2015, Working Group members unanimously approved a motion to move forward with developing a recommendation for a GCC and directed an appropriate high-level methodology for the recommendation.

5. At a ComFrame Development and Analysis (G) Working Group meeting held Sept. 24, 2015, pros and cons for each methodology were discussed, and a consensus quickly developed in support of using an RBC aggregation approach if a GCC were to be developed. The Executive (EX) Committee and Plenary ultimately adopted the following charge for the Financial Condition (E) Committee:

***“Construct a U.S. group capital calculation using an RBC aggregation methodology; liaise as necessary with the ComFrame Development and Analysis (G) Working Group on international capital developments and consider group capital developments by the Federal Reserve Board, both of which may help inform the construction of a U.S. group capital calculation.”***

6. The RBC aggregation approach is intended build on existing legal entity capital requirements where they exist rather than developing replacement/additional standards. In selecting this approach, it was recognized as satisfying regulatory needs while at the same time having the advantages of being less burdensome and costly to regulators and industry and respecting other jurisdictions' existing capital regimes. In order to capture the risks associated with the entire group, including the insurance holding company, RBC calculations would need to be developed in those instances where no RBC calculations currently exist.
7. In early 2016, the Financial Condition (E) Committee appointed the Group Capital Calculation (E) Working Group, which began to address its charge and various details of the items suggested by the ComFrame Development and Analysis (G) Working Group. The instructions included herein represent the data, factors, and approaches that the Working Group believed were appropriate for achieving such an objective. The GCC instructions and template are intended to be modified, improved, and maintained by the NAIC in the future as are the *Accounting Practices and Procedures Manual*, the *Annual Statement Instructions* and the *Risk-Based Capital Formula and Instructions*. This includes, but is not limited to, future disclosure of additional items developed or referred by other NAIC committees, task forces and/or working groups.
8. In December 2020, amendments to NAIC Model Law (#440) and Model Regulation (#450) were adopted to provide States with legislative language to fully implement the GCC as an annual filing. The Model specifies what groups are exempted from the GCC filing requirement and the circumstance under which a limited filing may be submitted. For such information reference should be made not to these instructions, rather to the models and, more specifically, to how they are implemented into laws and regulations of a Lead State.

## II. Definitions

9. **Affiliate:** As used in Model #440, an “affiliate” of, or person “affiliated” with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. For purposes of the GCC, affiliates will NOT include those affiliates reported on Schedule A or Schedule BA, EXCEPT in cases where there are insurers or other financial entities reported as or owned indirectly through Schedule A or Schedule BA affiliates. All other Schedule A and Schedule BA investments will remain as investments of a Parent insurer will be reported as Parent of the value and capital calculation of the Parent insurer. A full list of Schedule A and BA entities will be reported as described in the instructions for Input 6 – Questions and Other Information. Any entities that would otherwise qualify as Schedule BA affiliates as described above but are

owned by other entities (e.g., foreign insurers or other type of Parent entity) should be treated in the same way.

10. **Broader Group:** The entire set of legal entities that are controlled by the Ultimate Controlling Person of insurers within a corporate group. When consider the use of this term, all entities included in the Broader Group should be included in Schedule 1 and the Inventory, but only those that are denoted as “included” in the Schedule 1 will be considered in the actual GCC.
11. **Control:** As used in the Model #440, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 4K of Model #440 that control does not exist in fact. The commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.
12. **Cross-Support Mechanism:** A cross-support mechanism is an agreement or transaction that creates a financial interdependence. Depending on the nature of the transaction and the specific circumstances, these mechanisms may pose material risk These may include corporate guarantees, capital maintenance agreements (regulatory or ratings based), letters of credit, intercompany indebtedness, bond repurchase agreements, securities lending or other agreements or transactions that create a financial interdependence or link between entities in the group.
13. **Entity Not Subject to A Regulatory Capital Requirement:** This is a financial entity other than an entity that is subject to a specified regulatory capital requirement
14. **Financial Entity:** A non-insurance entity that engages in or facilitates financial intermediary operations (e.g., accepting deposits, granting of credits, or making loans, managing, or holding investments, etc.). Such entities may or may not be subject to specified regulatory capital requirements of other sectoral supervisory authorities. For purposes of the GCC, entities that are not regulated by an insurance or banking authority [e.g., the U.S. Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA)] will be considered as not subject to a specified regulatory capital requirement.

The primary examples of financial entities are commercial banks, intermediation banks, investment banks, saving banks, credit unions, savings and loan institutions, swap dealers, and the portion of special purpose and collective investment entities (e.g., investment companies, private funds, commodity pools, and mutual funds) that represents the Broader Group’s aggregate ownership in such entities, whether or not any member of the Broader Group is involved in that entity’s management responsibilities (e.g., via investment advisory or broker-dealer duties) for those entities.

For purposes of this definition, a subsidiary of an insurance company whose predominant purpose is to manage or hold investments or act as a broker-dealer for those investments on

behalf of the insurance company and its affiliated insurance (greater than 90% of all such investment subsidiaries' assets under management or held are owned by or for the benefit of these insurance affiliates) should NOT be considered a Financial Entity. In the case where an insurer sets up multiple subsidiaries for this purpose, the 90% may be measured in the aggregate for all such entities. Similarly, in the case of collective investment pools (e.g., private funds, commodity pools, and mutual funds) the 90% may be measured individually, or in the aggregate for each subtype (e.g., private funds, commodity pools, and mutual funds).

In addition, other financial entities without a regulatory capital requirement include those which are predominantly engaged in activities that depending on the nature of the transaction and the specific circumstances, could create financial risks through the offering of products or transactions outside the group such as a mortgage, other credit offering or a derivative.

15. **Insurance Group:** For purposes of the GCC, a group that is comprised of two or more entities of which at least one is an insurer, and which includes all insurers in the Broader Group. Another (non-insurance) entity may exercise significant influence on the insurer(s); i.e., a holding company or a mutual holding company; in other cases, such as mutual insurance companies, the mutual insurer itself may be the Ultimate Controlling Person. The exercise of significant influence is determined based on criteria such as (direct or indirect) participation, influence and/or other contractual obligations; interconnectedness; risk exposure; risk concentration; risk transfer; and/or intragroup agreements, transactions and exposures.

An Insurance Group may include entities that facilitate, finance or service the group's insurance operation, such as holding companies, branches, non-regulated entities, and other regulated financial institutions. An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control, and includes all members of the Broader Group that exercise significant influence on the insurance entities and/or facilitate, finance or service the insurance operations.

An Insurance Group could be headed by:

- An insurance legal entity;
- A holding company; or
- A mutual holding company.

An Insurance Group may be:

- A subset/part of bank-led or securities-led financial conglomerate; or
- A subset of a wider group.

An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control.

16. **Insurance Subgroup/U.S. Operations:** Refers to all U.S. insurers within a Broader Group where the groupwide supervisor is in a non-U.S. jurisdiction. It includes all the directly and indirectly held subsidiaries of those U.S. insurers. For purposes of subgroup reporting, capital instruments, loans, reinsurance, guarantees would only include those that exist within the U.S. insurers. Amounts included for the U.S. insurers shall include all amounts contained within the financial statements of those entities included in the subgroup reporting, whether those amounts are directly attributable or allocated to a company in the subgroup from an affiliate outside of the U.S. insurers and its direct or indirect subsidiaries.

17. **Lead State Regulator:** As defined in the *Financial Analysis Handbook*; i.e., generally considered to be the one state that “takes the lead” with respect to conducting groupwide supervision within the U.S. solvency system.
18. **Limited Group Capital Filing:** Refers to a GCC filing that includes sufficient data or information to complete the “Input 4 Analytics” tab and the “Summary 3 – Analytics” tab of the GCC template. This includes Schedule 1 of the template and may include limited data from other input tabs as deemed necessary for purposes of the analytics.
19. **Material Risk:** Risk emanating from a non-insurance/non-financial entity not owned by an insurer in the Insurance Group or is part of the Broader Group that is of a magnitude that could adversely impact the financial stability of the group as a whole such that the ability of insurers within a group to pay policyholder claims or make other policy related payments (e.g., policy loan requests or annuity distributions) may be impacted.

To determine whether an entity within the Broader Group poses material risks to the Insurance Group, the totality of the facts and circumstances must be considered. The determination of whether risk posed by an entity is material requires analysis of various aspects pertaining to the subject entity. A determination that a non-insurance/non-financial entity does not pose material risk allows the filer to request exclusion of that entity from the calculation of the GCC ratio in the “Inventory” tab. A number of items as listed below should be considered in making such a determination, to the extent they apply.

Caution is necessary, however. The fact that one or more of these items may apply does not necessarily indicate risk to the Insurance Group is, or is not, material. The group should be able to support its determination of material risk if requested by the Lead State Regulator. This should not be used as a checklist or as a scorecard. Rather, the list is intended to illuminate relevant facts and circumstances about a subject entity, the risk it poses, how the Insurance Group might be exposed to that risk and means to mitigate that risk.

Primary Considerations:

- Past experience (i.e., the extent to which risk from the entity has impacted the Insurance Group over prior years/cycles).
- The degree to which capital management across the Broader Group has historically relied on funding by the Insurance Group to cover losses of the subject entity.
- The existence of intragroup cross-support mechanisms (as defined below) between the entity and the Insurance Group.
- The means by which risk can be transmitted; i.e., the existence of sufficient capital within the entity itself to absorb losses under stress and/or if adequate capital is designated elsewhere in the Broader Group for that purpose.
- The degree of risk correlation or diversification between the subject entity and the Insurance Group (e.g., where risks of one or more entities outside the Insurance Group are potentially offset (or exacerbated) by risks of other entities) and whether the corporate structure or agreements allow for the benefits of such diversification to protect the Insurance Group.
- The existence and relative strength or effectiveness of structural safeguards that could minimize the transmission of risk to the Insurance Group (e.g., whether the corporate shell can be broken).

Other Considerations (*if primary considerations suggest exclusion may be reasonable, these can be used to further support exclusions*):

- The location of the entity in relation to the Insurance Group within the Broader Group's corporate structure and how direct or indirect the linkage, if any, to the Insurance Group may be.
- The activities of the entity and the degree of losses that the entity could pose to the group under the current economic environment or economic outlook

The guidance above recognizes that there are diverse structures and business models of insurers that make it impracticable to apply a one-size-fits-all checklist that would work for materiality determinations across all groups. Strict or formulaic quantitative measures based on size of the entity or its operations of a non-insurance affiliate are an insufficient proxy for materiality of risk to the insurance operations. The GCC Instructions thus consider the unique circumstances of the relevant entity and group and uses an interactive process whereby the group brings forward its suggestions as to entities that should be excluded from the scope of application for a discussion with the lead state, ultimately culminating in an agreement on the scope of application. The guidance in this section helps to facilitate that process and discussion with criteria for cross-support mechanisms that can potentially transmit material risk, as defined, to the Insurance Group as well as safeguards that can mitigate such risk or its transfer.

20. **Person:** As used in Model #440, a “person” is an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert but shall not include any joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property.

21. **Reciprocal Jurisdiction:** As defined in the *Credit for Reinsurance Model Law* (#785).

22. **Scope of Application:** Refers to the entities that meet the criteria listed herein for inclusion in the GCC ratio. The application of material risk criteria may result in the Scope of Application being the same as, or a subset of, the entities controlled by the Ultimate Controlling Person of the insurer(s).

**NOTE:** U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator, otherwise in as much as they are already included in a reporting legal entity, they are already in the scope of application and there is no need for any additional reporting.

23. **Ultimate Controlling Person:** As used in the *Insurance Holding Company System Regulatory Act* (#440). This is the entity that exercises control directly or indirectly over all entities within the Broader Group.

### III. Determining the Scope of Application

#### A. Groups Exempted from the GCC

24. Refer to changes to Model #440 for guidance on groups that are exempted from filing a GCC. Instead, instructions are provided to ensure Lead State Regulators receive the information necessary to evaluate the Scope of Application.

**B. Scope of Application – Legal Entity Inventory**

25. When considering the scope of application, preparers of the GCC must first understand the information to be included in Schedule 1 of the template. When developing an initial inventory of all potential entities, the preparers of the GCC shall complete Schedule 1, which, except in the case of an Insurance Subgroup (as defined in Section II), requests data for all of the entities within the Broader Group that are directly or indirectly owned by the Ultimate Controlling Person (including the Ultimate controlling Person) that are listed in the insurer's most recent Schedule Y or in relevant Holding Company Filings. GCC preparers should provide basic information about each such entity in Schedule 1, including its total assets, and total revenue and net income for this specific year identified. Additionally, the initial filing will require some further information for the prior year (e.g., prior year equity or surplus to policyholders). The primary purpose of the Schedule 1 is to: 1) assist the lead state in making an assessment on the entities within the group that should be included in the Scope of Application; and 2) provide the lead state with valuation information to better understand the group. This valuable information produces various ratios and other financial metrics that will be used in the analysis of the GCC and the group by the lead state for their holding company analysis.
26. To assist the Lead State Regulator in assessing the Scope of Application, the Schedule 1 and the “Inventory” tab of the template will be completed by each preparer to provide information and certain financial data on all the entities in the group. Each preparer will also use the include/exclude column in Schedule 1 to request its own set of entities to be excluded from the calculation after applying criteria for material risk (as defined in Section II). The requests for exclusion will be described by the preparer in the template and evaluated by the Lead State Regulator. A second column will be used by the regulator to reflect entities that the regulator agrees should be excluded.
27. Although all entities must be listed in Schedule 1 and in the “Inventory” tab, the preparer is allowed to group data for certain financial entities not subject to a regulatory capital requirement and certain non-insurance and non-financial entities. Thus, while the Schedule 1 would include the full combined financial results/key financial information (for all entities directly or indirectly owned by the Ultimate Controlling Person, such data may be reported based on major groupings of entities to maximize its usefulness, reduce the number of numeric entries, and allow the Lead State Regulator to better understand the group, its structure, and trends at the sub-group as well as group level. Criteria for grouping are further described in Section V, paragraph 55. Prior to completing the GCC annually, the Insurance Group should determine if the proposed grouping is satisfactory to the lead state or if there are certain non-insurance and non-financial entities (such entities are required to be broken out and reported separately) that should be broken out and reported separately.

**C. General Process for Determining the Scope of Application**

28. The starting point for “Scope of Application” (i.e., for purposes of the GCC specifically) is the entire group except in the case of an Insurance Subgroup (as defined in Section II). However, in the case of groups with material diverse non-insurance/non-financial activities isolated from the financial/Insurance Group and without cross-support mechanisms as defined in Section II, the preparer may request a narrower scope starting at the entity that controls all insurance and

financial entities within the group [i.e., comprise a subset of, the entities controlled by the Ultimate Controlling Person of the insurer(s) (Broader Group)]. However, the adjustments as to the Scope of Application suggested by the preparer in consultation and in agreement with the Lead State Regulator should include consideration of guidance in paragraph 31 (“Identify and Include all Financial Entities”) the totality of the facts and circumstances, as described in paragraph 19 (“Definition of material risk”). The rationale and criteria applied in allowing the reduced scope should be documented and made available to non-lead states if requested. The decision on reduced scope should be revisited when changes in the group structure or activities occur.

The fundamental reason for state insurance regulation is to protect American insurance consumers. Therefore, the objective of the GCC is to assess quantitatively the collective risks to, and capital of, the entities within the Scope of Application. This assessment should consider risks that originate within the Insurance Group along with risks that emanate from outside the Insurance Group but within the Broader Group. The overall purpose of this assessment is to better understand the risks that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims consistent with the primary focus of insurance regulators.

#### **D. Guiding Principles and Steps to Determine the Scope of Application**

29. For most groups, the Scope of Application is initially determined by the preparer in a series of steps, listed here and then further explained as necessary in the text that follows:
  - Develop a full inventory of potential entities using the Inventory of the Group template (Schedule 1). This should correspond to Annual Statement Schedule Y, Part 1A
  - Denote in Schedule 1 for each non-financial entity whether it is to be “included in or excluded from” the Scope of Application” using the criteria in the “Identify Risks from the Broader Group” subsection below.
  - All non-financial entities, whether to be included in or excluded from the Scope of Application are to be reported in the “Inventory” tab of the template. Information to be provided for excluded entities will be limited to Schedule 1B and the corresponding columns in the Inventory tab. See paragraph 55 for additional information on treatment of non-insurance/non-financial subsidiaries of U.S. RBC filers or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity.
  - Non-financial entities may qualify for grouping on this Inventory tab as described elsewhere in these instructions.

#### **E. Steps for Determining the Scope of Application**

30. Identify and list all entities in the Insurance Group or Insurance Subgroup (where required).

Include all entities that meet the definition of an affiliate in Section II, above and that fit the criteria identified in the definition of the Insurance Group or Insurance Subgroup (if applicable), in Section II, above except as modified in paragraph 32 (Identify Risks from the Broader Group), below. All insurance entities and entities owned directly or indirectly by the insurance

entities in the group shall be included in the Scope of Application and reported in the Schedule 1 and Inventory of the Group template. Other non-insurance/nonfinancial entities within the Insurance Group may be designated as “exclude” as described in paragraph 30.

31. Identify and include all Financial Entities.

Financial Entities (as defined in Section II) within the Inventory of the Group template shall be included in (i.e., may not be designated as “excluded from”) the Scope of Application, regardless of where they reside within the Broader Group.

As learned from the 2008 financial crisis, U.S. insurers were not materially impacted by their larger group issues; however, materiality of either equity or revenue of an entity might not be an adequate determinant of potential for risk transmission within the group. Furthermore, risks embedded in financial entities are not often mitigated by the activities of the insurers in the group and may amplify their (the insurers’) risks.

Any discretion in evaluating the ultimate risk generated by a defined financial entity that is not subject to a regulatory capital requirement should be applied via review of the material risk definitions/principles included in paragraph 19 to set the level of risk as low, medium or high and **not** to exclude such entities from the calculation. The rationale should be documented, and all data required in Schedule 1 must be provided for the entity for purposes of analysis and trending.

32. Identify Risks from the Broader Group

An Insurance Group or Insurance Subgroup may be a subset of a Broader Group, such as a larger diversified conglomerate with insurance legal entities, financial entities, and non-financial entities. In considering the risks to which the Insurance Group or Insurance subgroup is exposed, it is important to take account of those material risks (as defined in Section II) to the Insurance Group from the Broader Group within which the Insurance Group operates. All non-insurance/non-financial entities included within the Insurance Group or Insurance Subgroup that pose material risk to the insurers in the group should be included within (i.e., may not be designated as “excluded from”) the Scope of the Application. Similarly, all non-financial entities within the Broader Group but outside the Insurance Group that pose material risks to the Insurance Group should be included within (i.e., may not be designated as “excluded from”) the Scope of Application; non-material non-insurance/non-financial entities within the Broader Group or within the Insurance Group (as both terms are defined in Section II) other than those entities owned by entities subject to a specified regulatory capital requirement should be reported as “excluded.” However, no such entities outside an Insurance Subgroup (as defined in Section II) should be included in the GCC. When determining which non-financial entities from the Broader Group to include in the Scope of Application, the preparer must include any entity that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims or provide services to policyholders consistent with the primary focus of insurance regulators.

33. Review of Submission

The Lead State Regulator should review the inventory of entities provided in the Group template to determine if there are entities excluded by the preparer using the criteria above that the Lead State Regulator agrees do not pose material risk (as defined herein) to its insurance operations. Additional information may be requested by the Lead State Regulator to facilitate this analysis. For entities where the Lead State Regulator agrees with the request to exclude, the GCC may exclude the data for such entities. Ultimately, the decision to include or exclude entities from the GCC will occur based on the Lead State Regulator's knowledge of the group and related information or filings available to the Lead State and whether they believe an applicable entity would not adversely impact the entities within the Scope of Application to pay policyholder claims.

The template's sensitivity analysis tab includes a calculation to reflect the impact of excluded entities requested, but not approved for exclusion by the lead state. (see instructions for Input 5 herein).

34. The preparer, together with the Lead State Regulator, would use the above steps, which includes considering the Lead State Regulator's understanding of the group, including inputs such as Form F, ORSA and other information from other involved regulators, to determine the reasonableness of the suggested Scope of Application.

35. Updating the Scope of Application

The Scope of Application could be re-assessed by the preparer and the Lead State Regulator each successive annual filing of the GCC provided there has been substantial changes in corporate structure or other material changes from the previous year's filing. Any updates should be driven by the assessment of material risk and changes in group structure as they impact the exclusion or inclusion of entities within the Scope of Application based on material risk considerations.

#### IV. General Instructions

36. The GCC template consists of a number of tabs (sections) within one workbook. The following provides general instructions on each of these tabs.
37. **Attestation:** This tab is intended to work similar to the annual financial statement and RBC attestations, which are both intended to give the regulator greater comfort that the company has completed in accordance with its (these) instructions. It will also indicate whether the group consists of predominantly life, P/C, or health insurers and whether the submission is a full or limited group capital filing.
38. **Input 1 – Schedule 1:** This tab is intended to provide a full inventory of the group, including the designation by the filer of any non-financial entities to be included in, or excluded from, the Scope of Application and include sufficient data or information on each affiliated entity (see Schedule A and Schedule BA exception as described in paragraph 39) within the group so as to allow for analyzing multiple options for scope, grouping and sensitivity criteria, as well as, allowing the Lead State Regulator to make a determination as to whether the entities to be included in the scope of application or excluded from the scope of application meet the aforementioned criteria. This tab is also used to maximize the value of the calculation by

including various information on the entities in the group that allow the lead state to better understand the group as a whole, the risks of the group, capital allocation, and overall strengths and weaknesses of the group.

39. Except as noted, equity method investments reported in the Section 1B in the Inventory tab that are accounted for based on *Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and Limited Liability Companies* are not required to be de-stacked (separately listed) in Schedule 1; i.e., their value would be included in amounts reported by the Parent insurer within the calculation. The basis for this approach is predicated on the purpose of the entire GCC, which is to produce an expected level of capital and a corresponding level of available capital that are derived by aggregating the amounts reported of capital of the individual entities under the GCC methodology. The available capital for such joint ventures, partnerships and limited liability companies is already considered in Schedule 1 by its inclusion in its Parent's financial statements and can be excluded from an inventory (not separately listed) because the Parent also already receives a corresponding capital charge within its RBC.

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

40. **Input 2 – Inventory:** This tab is intended to be used by the consolidated group to provide information on the value and capital calculation for all the entities in the group before any de-stacking of the entities. While some of this information is designed to “pull” information from Schedule 1, other cells (blue cells) require input from the group. This tab will then apply the adjustments for investment in subsidiary other than where an exception is described in these instructions and adjust for intragroup arrangements. This tab is set up to subtract those adjustments from capital and therefore should be entered as: 1) a positive figure if the adjustment currently has a positive impact on the available capital or the capital calculation; or 2) a negative figure if the adjustment currently has a negative impact on the available capital or the capital calculation. It will also be used to add relevant insurance or other financial entities included as equity investments in Schedule A and Schedule BA and to aggregate the resulting adjusted values for use in the actual GCC.

**NOTE:** For a Limited Group Capital filing, data will be presented in a summarized format in a limited version of the “Inventory” tab in lieu of completing the full “Inventory” tab (see below).

**Limited Group Capital Filing Only: Input 2 – Inventory:** Manually enter data in Inventory B, Column 8 and Inventory C, Column 8 to report a single aggregated value for each entity category in the group. This will require that eliminations and adjustments normally found in a “full” Inventory B, Column 2 through Column 7 and Inventory C, Column 2 through Column 7 to be addressed offline.

41. **Input 3 – Capital Instruments:** This tab is intended to be used to gather necessary information to that will be used to calculate an allowance for additional available capital based on the concept of structural subordination applied to senior or other subordinated debt issued by a holding company that is within the scope of application of the GCC filing. It will also provide information on all debt issued by entities within the scope of application.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

42. **Input 4 – Analytics:** In recognizing a primary purpose of the GCC is to enhance groupwide financial analysis, this tab includes or draws from entity-category-level inputs reported in the tab or elsewhere in the GCC template to be used in GCC analytics. Separate guidance for Lead

State Regulators to reference in analysing the data provided in the GCC template (reference applicable location of the guidance; e.g., *Financial Analysis Handbook*).

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

43. **Input 5 – Sensitivity Analysis and Inputs:** This tab includes inputs and/or describes informational sensitivity analysis for other than XXX/AXXX captives, permitted and prescribed practices, debt designated as “Other,” unscaled foreign insurer values and other designated sensitivity analysis. The inputs are intended to simply be a disclosure, similar to the disclosure required under Note 1 of the statutory financial statements. The analysis will be applied in the “Summary 2” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

44. **Input 6 – Questions and Other Information:** This tab will provide space for participants to describe or explain certain entries in other tabs. Examples include the materiality method applied to exclude entities in Schedule 1 and narrative on adjustments for intragroup debt and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

45. **Calc 1 – Scaling (Ins):** This tab lists countries predetermined by NAIC and provides the necessary factors for scaling available and required capital from non-US insurers to be used in sensitivity analysis to a comparable basis relative to the U.S. RBC figures. It also allows for set scaling options (which vary by insurance segment such as life, P/C, and health).

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

46. **Calc 2 – Scaling (Non-Insurance):** This tab is used to determine calculated capital for non-insurance entities.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

47. **Summary 1 – Entity Category Level:** This tab provides a summary of aggregated available capital and calculated capital for each entity category before the application of capital instruments.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

48. **Summary 2 – Top Level:** This tab calculates various informational GCC ratios resulting from applying “on top” and entity level adjustments to adjusted carrying value and adjusted calculated capital and are described in the “Sensitivity Inputs and Analysis” tab. These “what if” scenario analysis will not be part of the GCC ratio.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

49. **Summary 3 – Analytics:** Provides a summary of various GCC analytics.

**NOTE:** This tab is required for a Limited Group Capital filing.

50. **Summary 4 – Grouping Alternatives:** This tab currently calculates and displays a selected grouping option for organizing the structure of the group consistent with the way that the entities are managed..

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

51. All cells in the template are color-coded based on the chart below. Inputs should only be made in blue cells. Do not add/delete rows, columns or cells or change the structure of the template in any way. If there appears to be an error in the formulas in the template, contact the NAIC.

The following set of colors is used to identify cells:	Colors used
Parameters	
Input cells	
Data from other worksheets	
Local calculations	
Results propagated	

## V. Detailed Instructions (insert link to template)

### Input 1 – Schedule 1

52. Schedule 1A indicates the version of the template being prepared.
53. More detailed information on each legal entity should be reported in Schedule 1B through Schedule 1D. The order of the entries in Schedule 1 should match that in the “Inventory” tab. The first entity listed should be the ultimate controlling party.
54. U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator. They should be reported under the appropriate entity category in [Sch 1B Col 6].
55. Entries are required for every entity within the scope of the group. However, while recognizing that Lead State Regulator retain the discretion to ask for greater detail, the following simplifications may be applied as long as information for every entity is listed in Schedule 1B:
- A single numerical entry for like Financial Entities would be allowed at the intermediate holding company level, assuming that the like entities are owned by a common Parent that does not own other entity types, all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. The entity at which the total data is provided must be assigned an “Entity Category” in Schedule 1 that corresponds to the instructed carrying value and capital calculation for which the entry is made (e.g., an entity that would otherwise be categorized as a non-operating holding company but holds asset managers would be categorized as an asset manager). Entries

for the remaining individual entities in the grouping will be reported in Schedule 1B only as “included.”

- In addition, a single numerical entry would be allowed for all included non-insurance/non-financial entities at the intermediate holding company level assuming that the intermediate holding company owns only non-insurance/non-financial entities (i.e., does not own other entity types), all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. This would include any positive residual value of the holding company itself. Entries for all individual entities in the grouping will be reported in Schedule 1B only as “included.”, but no stand-alone values for each entity would be required.
- Values for, non-insurance/non-financial subsidiaries of U.S. RBC filers or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity may remain with their Parent insurers and will not be de-stacked. Entries for these individual entities in the grouping will be reported individually in Schedule 1B Columns 1 and 2 only as “included.” along with other required entries in Schedule 1B, but no stand-alone values for each entity would be required in Schedules 1C or 1D.
- Mutual Insurance Groups may use the Total Adjusted Capital and amount of required capital from the top-level Insurer’s RBC Report at 200% x ACL RBC further adjusted to de-stack foreign insurers and other financial entities owned directly or indirectly (on a look-through basis) via RBC filing subsidiaries. Such foreign insurance subsidiaries or other financial subsidiaries shall be reported at the carrying values and capital calculations as described later herein.
- Data for U.S. Branches of Foreign insurers may be omitted from Schedule 1 if they are otherwise included in the entries, values, and capital requirements of a foreign insurer.

**NOTE:** These simplifications will be treated in a similar manner in Input 2 – Inventory.

56. Any financial entity owned by a Parent insurer and listed in Schedule A or Schedule BA, and any insurance or financial entity that is owned indirectly through a Schedule BA affiliate should be listed in Schedule 1 and in the Inventory and assigned the appropriated identifying information. (See also the instructions for Part B of the Inventory). These entities will be de-stacked from the values for the Parent insurer. The same treatment for these entities will be afforded when they owned by a foreign insurer or other non-insurance entities.
57. Schedule 1B contains descriptions of each entity. Make selections from drop-down menu where available.
  - **[Sch 1B Col 1] Include/Exclude (Company)** – This column is to select entities where a request is made for exclusion. The filer will indicate which non-insurance/non-financial entities not owned directly or indirectly by an insurer that should be excluded from the GCC as not posing material risk to the group. The filer’s definition of material risk will be reported in the “Other Information” tab.
  - **[Sch 1B Col 2] Include/Exclude (Supervisor)** – Column to be filled in by supervisor. These are entities where the Supervisor agrees with the filer’s assessment of material risk

and these entities will be excluded from the GCC and may be included in a sensitivity analysis later in the template.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

- **[Sch 1B Col 3] Include/Exclude (Selected)** – Formula to determine treatment of data for later sensitivity analysis. If supervisor has made a determination of include/exclude in the prior column, that will be used. If not, company's selection will be used.
- **[Sch 1B Col 4] Entity Grouping** – Column denotes whether this is an insurance or non-insurance/non-financial entity and is also automatically populated based on the entry in Column 8.
- **[Sch 1B Col 5] Entity Identifier** – Provide a unique string for each entity. This will be used as a cross-reference to other parts of the template. If possible, use a standardized entity code such as NAIC Company Code (CoCode) or Insurance Services Office (ISO) Legal Entity Identifier. CoCodes should be entered as text and not number (e.g., if CoCode is 01234, then the entry should be "01234" and not "1234"). If there is a different code that is more appropriate (such as a code used for internal purposes), please use that instead. If no code is available, then input a unique string or number in each row in whatever manner is convenient (e.g., A, B, C, D, ... or 1, 2, 3, 4...). Do not leave blank.
- **[Sch 1B Col 6] Entity Identifier Type** – Enter the type of code that was entered in the "Entity Identifier" column. Choices include "NAIC Company Code," "ISO Legal Entity Identifier," "Volunteer Defined" and "Other."
- **[Sch 1B Col 7] Entity Name** – Provide the name of the legal entity.
- **[Sch 1B Col 8] Entity Category** – Select the entity category that applies to the entity from the following choices (all U.S. life captives shall select the option for "RBC Filing Captive," complete the calculation using the life RBC formula in accordance with instructions below regarding "Additional clarification on capital requirements where a U.S. formula (RBC) is not required," regardless of whether the company is required by their captive state to complete the RBC formula. Insurers or financial entities that are de-stacked from an insurer's Schedule A or Schedule BA should be assigned the corresponding insurer or financial entity category:

<b>RBC Filing U.S. Insurer (Life)</b>	<b>UK Solvency II – Life</b>	<b>Colombia</b>
<b>RBC Filing U.S. Insurer (P/C)</b>	<b>UK Solvency II – Composite</b>	<b>Indonesia</b>
<b>RBC Filing U.S. Insurer (Health)</b>	<b>Australia – All</b>	<b>Thailand</b>
<b>RBC Filing U.S. Insurer (Other)</b>	<b>Switzerland – Life</b>	<b>Barbados</b>
<b>U.S. Mortgage Guaranty Insurers</b>	<b>Switzerland – Non-Life</b>	<b>Regime A (Participant Defined)</b>
<b>U.S. Title Insurers</b>	<b>Hong Kong – Life</b>	<b>Regime B (Participant Defined)</b>
<b>Other Non-RBC Filing U.S. Insurers</b>	<b>Hong Kong – Non-Life</b>	<b>Regime C (Participant Defined)</b>
<b>RBC filing (U.S. Captive)</b>	<b>Singapore – All</b>	<b>Regime D (Participant Defined)</b>
<b>Canada – Life</b>	<b>Chinese Taipei – All</b>	<b>Regime E (Participant Defined)</b>
<b>Canadian – P/C</b>	<b>South Africa – Life</b>	<b>Bank (Basel III)</b>
<b>Bermuda – Other</b>	<b>South Africa – Composite</b>	<b>Bank (Other)</b>
<b>Bermuda – Commercial Insurers</b>	<b>South Africa – Non-Life</b>	<b>Financial Entity with a Regulatory Capital Requirement</b>
<b>Japan – Life</b>	<b>Mexico</b>	<b>Asset Manager/Registered Investment Advisor – High Risk</b>
<b>Japan – Non-Life</b>	<b>China</b>	<b>Asset Manager/Registered Investment Advisor – Medium Risk</b>
<b>Japan – Health*</b>	<b>South Korea</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – High Risk</b>
<b>Solvency II – Life</b>	<b>Malaysia</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Medium Risk</b>
<b>Solvency II – Composite</b>	<b>Chile</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Low Risk</b>
<b>Solvency II – Non-Life</b>	<b>India</b>	<b>Other Non-Ins/Non-Fin with Material Risk</b>
<b>Solvency II – Non-Life</b>	<b>Brazil</b>	<b>Other Non-Ins/Non-Fin without Material Risk</b>
<b>UK Solvency II – Non-Life</b>	<b>Argentina</b>	<b>Non-Operating Holding Co.</b>

\* If the GCC group's Japanese insurer health business (referred to as "Third Sector") is greater than 60% of total life business (referred to as "First Sector") and health business combined, as reflected by annualized premium for the year reported, then that group may elect to use the Japan health scalar set rather than the life scalar set.

**NOTE:** All U.S. captives are required to complete the applicable RBC formula template. In addition, any insurer, other than U.S. captive, that submits an RBC filing to either the state of domicile or the NAIC will be considered an RBC filer.

- **[Sch 1B Col 9] Alternative Grouping** – This is an optional input field. This field should be used if you wish to show similar entities aggregated into a single line in Summary 4-Alternative Grouping.Exhibit. For example, if you have a dozen small dental HMO businesses, you may wish to show them as a single line called “Dental HMOs,” as opposed to listing each entity separately. This is a level of granularity below “Entity Category” but above individual entities. No entity should be put in the same “Alternative Grouping” as its Parent. It is acceptable to put only one entity in a grouping. If any entries are left blank then, in Column 17, the “Entity Name” will be selected as the grouping. This will not impact the order of the entities for which data is entered in Schedule 1 or the “Inventory” tab.
- **[Sch 1B Col 10] Parent Identifier** – Provide the Entity Identifier of the immediate Parent legal entity for each entity, as applicable. If there are multiple Parents, select the Parent entity with the largest ownership percentage. Only include one entry. For the top holding company, enter “N/A.”
- **[Sch 1B Col 11] Parent Name** – This will be populated by a formula, so input is not required.
- **[Sch 1B Col 12] % Owned by Parent** – Enter the percentage of the entity that is owned by the Parent identified earlier in the worksheet. Percentages of ownership should be based on the percentage of voting class securities (unless ownership is maintained other than by control of voting securities) consistent with what is reported pursuant to state holding company regulation filings (Form B or equivalent).
- **[Sch 1B Col 13] % Owned within Group Structure** – Enter the percentage of the entity that is owned in the aggregate by any affiliate within the Group.
- **[Sch 1B Col 14] State/Country of Domicile** – Enter state of domicile for U.S. insurance entities and country of domicile for all other entities. (Use references that are consistent with those use on Schedule Y, where available.)
- **[Sch 1B Col 15] Zero Valued and Not Admitted Entities – Report for U.S. Insurers Only.** Select the treatment of the entity from following options: “Zero Valued for RBC” or “Nonadmitted for Accounting and RBC (Direct or Indirect).”

Zero Valued for RBC are affiliated insurance and financial entities that are otherwise reported in the RBC filer’s annual financial statement at their accounting value (i.e., per SAP) but are reported at zero value and zero capital requirements for RBC purposes. Examples include non-Canadian foreign insurers directly owned by U.S. life RBC filers. The carrying value and capital calculation specified in these instructions for the specific insurance or financial entity type should be reported in Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column.

Nonadmitted for Accounting and RBC (Direct or Indirect) are insurance or other financial affiliates that owned directly indirectly by an RBC filer via a downstream non-financial entity or holding companies that are reported at zero value per SAP and are also reported

at zero value and zero capital requirements for RBC purposes. Examples include U.S. insurers indirectly owned by a U.S. RBC filer through a nonadmitted holding company that has not been subject to an independent audit. The carrying values and capital calculations specified herein associated with the specific insurance or financial indirectly owned entity type should be reported Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column. The excess value in the nonadmitted Parent entity may be reported at zero value.

No entry is required in this column for any nonadmitted directly or indirectly owned non-insurance/non-financial subsidiary. Report zero for these affiliates in Column 2 of Inventory B and Inventory C.

- **[Sch 1B Col 16] Is Affiliate on Schedule A or Schedule BA an Insurer or Other Financial Entity?** – Column is meant to identify an entity with an insurer or financial entity identifier in Column 8 that is reported on Schedule A or Schedule BA but is being de-stacked and also reported on the Inventory tab. Provide a “Y” response where that is applicable. Otherwise leave blank.
- **[Sch 1B Col 17] Selected Alternative Grouping** – This will be populated by a formula, so input is not required. If there are any blank entries in Column 9 (Alternative Grouping), this column will set them equal to the name of the entity.

58. Schedule 1C contains financials for each entity:

- **[Sch 1C Col 1] Basis of Accounting** – Enter basis of accounting used for the entity’s financial reporting.
- **[Sch 1C Col 2 and Col 3] Gross and Net Written Premium** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (life, P/C, and health). Use equivalent local source for non-U.S. insurers or company records when available.
- **[Sch 1C Col 4] Reinsurance Assumed from Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 1 and life and health Schedule S, Part 1, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available.
- **[Sch 1C Col 5] Reinsurance Ceded to Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 3 and life and health Schedule S, Part 3, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available.
- **[Sch 1C Col 6] Book Assets** – This should be valued based on the applicable basis of accounting reported under the entity’s local regime and represents the total assets as reported in the basic financial statements before eliminations (because that is presumed to be less burdensome on the insurance holding company). Other financial data should

similarly be prepared using financial data before eliminations. However, insurance holding companies are allowed to present such figures after eliminations if they do so for all figures and consistently for all years.

- **[Sch 1C Col 7] Book Liabilities** – This should be valued based on the applicable basis of accounting reported under the entity's local regime and represents the total liabilities as reported in the basic financial statements.
  - **[Sch 1C Col 8] Gross Paid-in and contributed Capital and Surplus (U.S. Insurers Only)** – For U.S. insurers, report the current year end amounts from annual financial statement Page 3 as follows:
    - a. Life Insurers: lines 29, 30 and 33.
    - b. P/C Insurers: lines 30, 31 and 34.
    - c. Health Insurers: lines 26, 27 and 28.
- 59.** Generally, Schedule 1D will include entries from regulatory filings or entity specific GAAP financial statements as of the reporting date. The amounts reported should be the entity value on a stand-alone (fully de-stacked) or grouped basis (where applicable). This may require use of company records in certain cases. The amounts should be reported at 100% for the entity listed. Any required adjustments for percentage of ownership will be applied later, if necessary, to calculate a capital charge.
- **[Sch 1D Col 1] Prior Year Entity Identifier** – Report the Legal Entity Identifier, NAIC company code or other identifier used for the entity in the prior year GCC filing for the prior calendar year.
  - **[Sch 1D Col 2] Prior Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone balance sheet. This will generally be the same as what is reported in the current year column in the prior year GCC filing. Where grouping is permitted, the balance reported may be on a grouped basis.
  - **[Sch 1D Col 3] Net Income** – The final reported income figure from the income statement, and therefore is the figure reported after interest, taxes, extraordinary items, etc. For entities with accounting and reporting requirements that specify that dividends paid or received will be part of "net income," report the dividends received in this column. Report dividends to policyholders here as a reduction to net income if required by local accounting or reporting requirements.
  - **[Sch 1D Col 4] Dividends Paid and Received (Net)** – All entity types report the net amount of dividends paid and received in reporting year to/from and affiliate, a Parent shareholder, public shareholders, or policyholders (if not required to be a reduction/increase in net income by local accounting or reporting requirements). All entity types that are subject to accounting and reporting requirements that specify that dividends paid or received will be reported as a surplus adjustment, will report dividends received in reporting year from affiliates in this column.

- **[Sch 1D Col 5] Capital and Surplus Contributions Received from Affiliates** – All entity types. Report sum of capital contribution (other than via surplus notes) during the reporting year received from any affiliated entity.
- **[Sch 1D Col 6] All Other Changes in Capital and Surplus** – Include total for all adjustments not listed above. This would include any investment income not already reported in Column 3 or Column 5. Also, report all stock repurchases or redemptions in this column.

NOTE: Greater detail may be made available upon request.

- **[Sch 1D Col 7] Current Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone Balance Sheet for the current year. This will generally be the same as what is reported for the entity in the Inventory B, Column 2. Where grouping is permitted, the balance reported may be on a grouped basis.
- **[Sch 1D Col 8] Capital and Surplus Contributions Paid to Affiliates** – All entity types report the total of capital contributions (other than via surplus notes) during the reporting year paid to any affiliated entity.
- **[Sch 1D Col 9] Dividends Declared and Unpaid** – For all applicable entities report the amount of dividends declared or approved but not yet distributed.
- **[Sch 1D Col 10] Dividends Received and Not Retained** – All holding companies, insurers and financial entities with regulatory capital requirements indicate by “Y” or “N” if part or all of dividends received reported in Column 5 have been paid (passed through) to a Parent company, to public shareholders, or used to repurchase or redeem shares of stock.

## Input 2 – Inventory

60. Columns in Inventory A are being pulled from Schedule 1:

- [Column 1] Insurance/Non-Insurance
- [Column 2] Entity Identifier
- [Column 3] Entity Identifier Type
- [Column 4] Entity Name
- [Column 5] Entity Category
- [Column 6] Parent Identifier
- [Column 7] Parent Name
- [Column 8] Basis of Accounting

### Columns Requiring Input

61. Enter information on adjustments to carrying value. Considerations specific to different types of entities are located at the end of this subsection.

- **[Inv B Col 1] Carrying Value (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. In general, carrying values utilized should represent: 1) the subsidiary valuation required by the insurance or other sectoral regulator if the Parent is a regulated entity; or 2) in the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then a subsidiary valuation based U.S. GAAP or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements. No entry is required for the Ultimate Controlling Person (UCP)

The value in this column will include a zero value for entities not admitted per SAP or other jurisdictional regulatory rules. A single entry for all entities that qualify under the grouping criteria described in Input 1, herein may be made in lieu of individual entries on the line for the affiliate that holds the qualifying entities. This column will include double-counting.

The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group.

- **[Inv B Col 2] Carrying Value (Local Regime)** – Record the carrying value recognized by the legal entity's jurisdictional insurance or other sectoral supervisor. This will include the value of capital instruments (e.g., U.S. insurer issued surplus notes) that are specifically recognized by statute, regulation or accounting rule and included in the carrying value of the entity. In the case where the entity is not subject to insurance or other sectoral regulatory valuation, then U.S. GAAP equity (including OCI) or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements. If an agreed-upon change in local carrying value should become effective by 2021, Volunteer Groups are expected to report on that basis. If the group is comprised entirely of U.S.-based entities under a U.S.-based Parent company, the entries in this column will be the same as in Column 1 except in cases where the Parent owns not admitted (or otherwise zero valued financial affiliates that

would be reported as not admitted in the Parent Regime column but fully admitted (per SAP valuation) in the Local Regime column). (See instructions for **[Sch 1B Col 15]**.) However, if such an entity has been listed in the **[Sch 1B Col 2] Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then a value will be reported here, but the ultimate calculation will show the results without the excluded entity's value. The carrying value for affiliates that are U.S. RBC filers will be the amount reported TAC on entity's RBC report. This column will include double-counting. The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group. The entry here should generally be the same as the value reported in Inventory B, Column 1, except where TAC for RBC filers differs from their BACV. A single entry for all entities that qualify under the grouping criteria described exceptions described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries.

A sensitivity analysis is included to calculate the impact of excluded entities requested but not approved for exclusion by the lead state.

INVENTORY B – Accounting Valuation to be Used				
Parent Entity	Entity	Inv B, Column 1	Inv B, Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
U.S. RBC filer	Other U.S. Insurer	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	BACV Per Statutory Accounting	Per Local Regulatory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Financial w/o Capital Reqmt	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Non-Financial	BACV Per Statutory Accounting	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
Other U.S. Insurer	Any Other Entity Type	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Regulatory Accounting	RBC TAC	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Regulatory Accounting	BACV Per Statutory Accounting	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Regulatory Accounting	Per Local Regulatory Accounting	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Regulatory Accounting	Per risk level factor x 3-year avg revenue	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Regulatory Accounting	No entry Required	No entry Required – Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Per Local Public Accounting	RBC TAC	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Per Local Public Accounting	BACV Per Statutory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Public Accounting	Per Local Regulatory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Per Local Public Accounting*	Per Local Regulatory Accounting*	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Per Local Public Accounting*	Per Local Public Accounting*	Per Local Public Accounting

\*Subject to Grouping

In cases where a U.S. life RBC filer owns a foreign insurer and the BACV value reported for the foreign insurer in the Parent U.S. insurers financial statement is adjusted to zero for RBC purposes, then report zero in Inventory B, Column 1 and Column 3 for that foreign insurance entity.

- **[Inv B Col 3] Investment in Subsidiary** – Enter an adjustment to remove the investment carrying value of any directly owned subsidiary(ies) from Parent’s carrying value. This is intended to prevent double-counting of available capital when regulated entities are stacked. The carrying value to be removed should be the investment value carried by the Parent from which the entity is being de-stacked (i.e., the value in Column 1 in Inventory B adjusted for ownership percentage). Thus, there will be no adjustment to the Parent’s value in this column for entities that are reported at zero value by the Parent. Where entities are owned partially by entities outside of the group, then the Parent’s percentage of ownership will be calculated based on the value owned within the group.

Generally, for all non-financial affiliates, Schedule A and Schedule BA assets will remain in the value of the Parent insurer and not entered in this column. However, if the Schedule A or Schedule BA asset is an insurance or financial entity as described herein, the value of that entity will be included in this column. For indirectly owned Schedule A or Schedule BA insurance or financial entities, only the value of that entity will be included in this column and the remaining value of the downstream Schedule BA Parent will remain with the Parent insurer. Similarly, the carrying value of U.S. branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the value of the foreign insurer so that the Parent entity may eliminate double-counting of that available capital which will now be reported by the stand-alone Branch listed in the inventory.

**NOTE:** The “Sum of Subsidiaries” column may provide a useful check against this entry, but it will not necessarily be equal.

When utilizing public accounting (e.g., GAAP) equity values that differ from regulatory values (e.g., SAP), it is the GAAP equity of the insurers must be eliminated from the GAAP Parent in this column, not the SAP (regulated capital). This is necessary in order to allow the calculation to appropriately represent SAP capital of regulated entities and GAAP equity of non-regulated entities. Data on the accounting differences between Parent and Local carrying values will be collected in **[Inventory B, Column 9]** and further detail provided in the “Questions and Other Information” tab.

**NOTE:** Values for Schedule A and Schedule BA affiliates that are required to be reported in the “Inventory” tab will be adjusted out of the value reported by the U.S. insurer in this column.

**[Inv B Col 4] Intragroup Capital Instruments** – This column is automatically calculated from inputs to the “Capital Instruments” tab. It reflects an adjustment to remove carrying value for intragroup financial instruments that that are treated as capital by the issuer and consequently create additional capital within the group upon issuance (most notably U.S. surplus notes). Example for surplus notes: In both intragroup and unaffiliated transactions, treat the assets transferred to the issuer of the surplus note as available capital. If the purchaser is an affiliate, eliminate the investment value from the affiliated purchaser of the surplus note in this column. If the purchaser is an insurer or other regulated entity, eliminate the purchaser’s capital charge (e.g., RBC charge) on the

surplus note investment in the corresponding adjustment column for the capital calculation. No adjustments are made for any intragroup capital instrument that is treated as a liability by the issuer.

- **[Inv B Col 5] Reported Intragroup Guarantees, LOCs and Other** – Enter an adjustment to reflect the notional value weighted for expected utilization for reported intragroup guarantees (including solvency insurance and capital maintenance agreements). Enter the notional value for letters of credit, or other intragroup financial support mechanisms. Explain each intragroup arrangement in the “Questions and Other Information” tab.
- **[Inv B Col 6] Other Intragroup Assets** – Enter the amounts to adjust for and to remove double-counting of carrying value for other intragroup assets, which could include intercompany balances, such as (provide an explanation of each entry in the “Questions and Other Information” tab):
  - a. Loans, receivables and arrangements to centralize the management of assets or cash;
  - b. Derivative transactions;
  - c. Purchase, sale or lease of assets; and
  - d. Other (describe).
- **[Inv B Col 7] All Other Adjustments** – Include a brief explanation in the “Description of ‘Other Adjustments’” in the “Other Information” tab.
- **[Inv B Col 8] Adjusted Carrying Value** – Stand-alone value of each entity per the calculation to eliminate double-counting. This value includes permitted and prescribed practices.
- **[Inv B Col 9] Accounting Adjustments (e.g., GAAP to SAP)** – Report the total difference between the carrying value reported in Column 1 (and Column 3) and the value reported in Column 2. This column will apply to regulated entities where the stand-alone carrying value is based on regulatory accounting (e.g., SAP) while the value reported for that entity by the Parent is carried at a financial accounting (e.g., GAAP) value. Further detail is reported in the “Questions and Other Information” tab.
- **[Inv B Col 10] Gross Revenue 2<sup>nd</sup> Prior Year (Financial Entities without Regulatory Capital Requirements and Non-financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 11] Gross Revenue Prior Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 12] Gross Revenue Current Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 13] Average Revenue over 3-years (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – This column is populated from data in Column 10, Column 11 and Column 12.

This column will support the capital calculation for asset managers, broker-dealers and other Financial Entities without Regulatory Capital Requirements.

62. “Adjusted Capital Calculation” is reported in a similar manner to the “Adjusted Carrying Value” above. The columns are in the same order, although it is likely that fewer entries will be needed for Column 4 through Column 7. Further guidance is below.

- **[Inv C Col 1] Entity Required Capital (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. No entry is required for the Ultimate Controlling Person. In general, entity required capital should represent the capital requirements of the Parent’s insurance or other sectoral regulator:
  - a. For subsidiaries of foreign insurers or other non-U.S. financial entities, the unscaled capital required by the Parent’s regulator of the regulated entity based on the equivalent of a Prescribed Capital Requirement (PCR) level.
  - b. For subsidiaries, including applicable Schedule A and Schedule BA subsidiaries, of U.S. insurance entities that are subject to RBC, except where the subsidiary is also an RBC filer, the entry should be equivalent of what would be required in the Parent’s RBC, adjusted for covariance where applicable (calculated by the preparer) reported at company action level (or two times authorized control level RBC) for that entity. Where the subsidiary is also an RBC filer, then the amount reported will be at company action level RBC (or two times authorized control level RBC) after covariance.
  - c. For subsidiaries of U.S. insurers that do not file RBC, report the actual amount of capital required in the Parent’s capital requirement (if any) for the subsidiary entity.
  - d. In the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then use zero where applicable. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the specified capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group. A single entry for all entities that qualify under the grouping criteria described in Section V, herein may be made on the line for the affiliate that holds the qualifying entities in lieu of individual entries.
- **[Inv C Col 2] Entity Required Capital (Local Regime)** – Enter required capital for each de-stacked entity, as applicable entity description below. For U.S. RBC filing subsidiaries under a U.S. RBC filing Parent the amounts will be the same in both the Parent and Local Regime columns, except where the RBC filing subsidiary is subject to an operational risk charge. In such cases the amount reported in this column for the subsidiary will include the operational risk charge while the amount reported in Column 1 will exclude the subsidiary’s operational risk charge. ~~However, for~~ some entity types this will result in entries for the entities under a U.S.-based insurance Parent to be different from what U.S. RBC would dictate. In addition, where a U.S. insurer directly or indirectly owns not admitted (or otherwise zero valued) financial affiliates, those affiliates would be reported with zero value in the Parent Regime column but at the specified regulatory value described below for that financial entity type in this column. However, if such an

entity has been listed in **[Sch1B Col 2] Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then report the capital calculation in accordance with entity instructions below, but the ultimate calculation will show the results without the excluded entity's capital calculation. Directly or indirectly owned non-financial entities that were not admitted or otherwise carried at a zero value in the Parent Regime, may be **reportedcarried** at zero value in this column. A single entry for all entities that qualify under the grouping criteria described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group.

63. Additional clarification on capital requirements where a formula is required:

- **U.S. RBC filing Insurers:** Report RBC at Company Action Level including operational risk (200% x ACL)
- **Foreign Insurance Entities:** The local capital requirement as specified below for each jurisdiction should be reported, by legal entity, at a Prescribed Capital Requirement (PCR) level. This treatment is different than what U.S. RBC would require and recognizes other regulators view of adequate capital for insurers within another jurisdiction. It is more reflective of risk within the group context. A sensitivity analysis will be included in the “Sensitivity Analysis” tab using the jurisdictional PCR scaled per the Excess Relative Ratio method (see Appendix 1) for insurers in foreign jurisdictions that are subject to scaling.
- **European Union subsidiaries:** Use the Solvency II Solo Solvency Capital Requirement (SCR) as the PCR.
- **U.S. RBC filing subsidiaries:** The RBC Company Action Level including operational risk of each insurer should be reported.
- **Australia subsidiaries:** The PCR is the target capital as set by the insurer/group in accordance with APRA requirements. Effectively, this would be “Target capital under ICAAP.” PCR is not a set multiple of MCR.
- **Bermuda subsidiaries:** The Legal Entity PCR in Bermuda for medium and large commercial insurers is called the “Enhanced Capital Requirement” (ECR) and is calibrated to Tail VaR at 99% confidence level over a one-year time horizon.
- **Hong Kong subsidiaries:** Under the current rule-based capital regime, if applied similar to the concept of PCR, the regime’s PCR would be 150% of MCR for life insurers and 200% of MCR for non-life insurers.
- **Japan subsidiaries:** The PCR is the solvency margin ratio of 200%.
- **Korea subsidiaries:** The PCR is 100% of risk-based solvency margin ratio.

- **Singapore subsidiaries:** The PCR is 120% of total risk requirement (i.e., capital requirement).
- **China Taipei subsidiaries:** The PCR is 200% of RBC ratio.
- **Canada life entities:** The baseline PCR should be stated to be “100% of the LICAT Base Solvency Buffer.” The carrying value should include surplus allowances and eligible deposits.
- **Canada P/C entities:** The PCR should be the MCT capital requirement at the target level.
- **South Africa subsidiaries:** The PCR is 100% of the SAM SCR.
- For any entities that cannot be mapped to the above categories, scaling will be at 100%

64. Additional clarification on capital requirements where a U.S. formula (RBC) is not required:

- For those U.S. insurers that do not have an RBC formula, the minimum capital per state law should be used as the basis for what is used for that insurer in the GCC. This may differ from what U.S. RBC would require. It is more reflective of the regulatory view of risk in the group context. The following requirements should be used in other specified situations where an RBC does not exist:
  - **Mortgage Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC’s requirements set forth in the *Mortgage Guaranty Insurance Model Act* (#630).
  - **Financial Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC’s requirements set forth in the *Financial Guaranty Insurance Guideline* (#1626), specifically considering Section 2B (minimum capital requirements) and Section 3 (Contingency, Loss and Unearned Premium Reserves) and the other requirements of that guideline that impact capital (e.g., specific limits).
  - **Title Companies:** The minimum capital requirement shall represent 200% of the required level of reserves carried by the insurance company.
  - **Other Companies:** A selected basis for minimum capital requirements derived from a review of state laws. Where there is a one-off treatment of a certain type of insurer that otherwise would file RBC (e.g., HMOs domiciled in California), the minimum capital required by their respective regulator could be considered in lieu of requiring the entity to complete an RBC blank.
  - **Captives:** U.S. insurers that have captives should complete the applicable RBC formula regardless of whether the captive is required to complete it in their captive state. The amounts input into RBC by the captive shall be based on the actual assets and liabilities utilized in the regulatory reporting used by the captive. Captives used exclusively for self-insurance (either by U.S. life insurers or any other type of insurer) or insurance provided exclusively to its own employees and/or its affiliates, should not complete an RBC calculation and the entire entity should be treated as non-insurers and receive the same charge as a non-regulated entity.

65. Non-insurance financial entities subject to a specified regulatory capital requirement:

- All banks and other depository institutions – The unscaled minimum required by their regulator. For U.S. banks, that is the Office of the Comptroller of the Currency (OCC) Tier 1 or other applicable capital requirement. This is understood to be consistent with how the Federal Reserve Board would apply its Building Block Approach.
- Any other financial entity that is determined to be subject to a specified regulatory capital requirement will bring that requirement in the GCC at the first level of regulator intervention (if applicable).
- This differs from what U.S. RBC would require. It recognizes the sectoral regulator's view of risk for a particular financial entity type. It is more reflective of risk in the group context.

66. Non-insurance financial entities NOT subject to a specified regulatory capital requirement:

- All asset managers and registered investment advisors and all other financial entities as defined in Section II: Use the capital calculation specified below based the level of risk assigned to the entity by applying the material risk principles defined in Section II. However, asset managers and investment affiliates (not qualifying to be treated as non-financial entities per paragraph 9) will be reported at either medium or high risk. In certain cases, these entities may be subject to a layer of regulation (e.g., SEC or FINRA) but are not generally subject to a specified capital requirement.

High Risk: 10% x 3-year average revenue

**NOTE:** A Basel Charge of 15% will be used for the IAIS ICS.

Medium Risk: 5.0% x 3-year average revenue.

Low Risk: 2.5% x 3-year average revenue

**NOTE:** Medium risk could be used as a starting point while the stratified methodology is further developed.

67. Other non-insurance, non-financial entities with material risk:

- Non-insurance, non-financial entities may not be as risky as financial entities. For non-insurance, non-financial entities not owned by RBC filers or other such entities where there is not a regulatory capital charge for the entity in the capital formula, use an equity charge of 10.5% (post tax) for predominantly life Insurance Groups 9.5% for predominantly P/C Insurance Groups and 3.5% for predominantly health Insurance Groups x BACV. If the entity is not subject to a capital charge or is included in the capital charge of another financial entity, then enter zero in Column 1 and the charge specified in this paragraph in Column 2. These factors are based on average after covariance RBC charges for the respective insurer types and are calibrated at 200% x ACL RBC. This is meant to be consistent with how the entity would be treated if owned by an RBC filer while recognizing that the entity may be excluded from the GCC if it does not pose material risk to the insurers in the group.

Non-insurance/non-financial entities owned by RBC filing insurers (or owned by other entities where a regulatory capital charge applied to the non-insurance/non-financial affiliate) will remain in the Parent's capital charge and reported at that value in Column 1

but will be reported as zero in Column 2. These non-financial entities may not be excluded from the GCC.

One additional informational capital calculation for all non-financial entities will be applied in the Sensitivity Analysis tab using current year gross revenue from Inventory B, Column 12 with the calculation occurring and results available in the “Calc 2” tab as follows: 5% of reporting year gross revenue based on a medium level risk for a financial entity.

68. Non-operating holding companies:

- Non-operating holding companies will be treated the same as other non-insurance/non-financial entities with material risk. Unless reported on a grouped basis (see paragraph 55), for purposes of applying the capital calculation, the carrying value of stand-alone positive valued and negative valued non-operating holding companies will be netted. If the net value is zero or less (floored at zero for purposes of applying a charge), the charge applied will be zero. If the filer chooses to designate the non-operating holding company as a non-insurance/non-financial entity without material risk and requests exclusion, then no allowance for debt issued by that holding company may be included in the calculation.

INVENTORY C – Capital Calculation to be Applied				
Parent Entity	Entity	Inv C, Column 1	Inv C, Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	RBC ACL (excl. op Risk) x 2	RBC ACL (incl. op risk) x 2	RBC ACL (excl. op Risk) x 2
U.S. RBC filer	Other U.S. Insurer	Affiliate risk RBC	Per GCC Entity Instructions	Affiliate risk RBC
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	Affiliate risk RBC	Jurisdictional or Sectoral PCR Level Capital Reqmt	Affiliate risk RBC
U.S. RBC filer	Financial w/o Capital Reqmt	Asset risk RBC	Per risk level factor x 3-year avg revenue	Asset risk RBC
U.S. RBC filer	Non-Financial	Asset risk RBC -Post covariance	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	Zero	RBC ACL (incl. op risk) x 2	Zero
Other U.S. Insurer	Any Other Entity Type	Zero	Per GCC Entity Instructions	Zero
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Capital Reqmt	RBC ACL (incl. op risk) x 2	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Capital Reqmt	Per GCC Instructions	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Capital Reqmt	Jurisdictional or Sectoral PCR Level Per Local Capital	Foreign Insurer or Other Regulated w/ Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Capital Reqmt	Per risk level factor x 3-year avg revenue	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Capital Reqmt	No entry Required	No entry Required - Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Zero	RBC ACL (incl. op risk) x 2	Zero
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Zero	Per GCC Entity Instructions	Zero
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Zero	Jurisdictional or Sectoral PCR Level Capital Reqmt	Zero
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Zero	Per risk level factor x 3-year avg revenue*	Zero
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Zero	Per GCC Instructions*	Zero

### Capital Calculation Adjustments

- **[Inv C Col 3] Investment in Subsidiary** – Enter an adjustment to remove the required capital of the directly owned subsidiary(ies) from Parent’s required capital. The capital requirement to be removed should be the capital requirement carried by the Parent from which the entity is being de-stacked (i.e., the value reported in Column 1 in Inventory C adjusted for ownership percentage). Thus, there will be no adjustment to the Parent’s value in this column for entities that are reported at a capital calculation of zero value by the parent. This is intended to prevent double counting required capital when regulated entities are stacked. [Example: When de-stacking an RBC filer from another RBC filer, the amount entered on the Parent line would be the RBC of the subsidiary. When de-stacking financial entities that are subject to diversification in a capital formula (e.g., RBC) the amount entered on the Parent line is the post-diversified capital requirement as calculated by the preparer (which is also the amount to be reported for the de-stacked entity on the entity’s line).

Generally the capital requirements for Schedule A and BA affiliates and other non-financial affiliates will remain in the capital requirements of the Parent insurer and not entered in this column, except that the capital requirements for any financial entity reported in a Parent’s Schedule A and BA, any financial entity indirectly owned through another Schedule A or BA affiliate listed in Schedule 1 and in this section should be entered in this column in the row of the entity that directly or indirectly owns that Schedule A and BA affiliate so that the parent entity may eliminate double counting of that capital requirement capital which will now be reported by the stand-alone Schedule A or BA affiliate listed in the inventory.

For indirectly owned Schedule A and BA financial entities, only the capital requirements for that entity will be included in this column and the remaining capital requirement of the downstream BA Parent will remain with the Parent insurer. Similarly, the capital requirement for any U.S. Branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the capital requirement of the foreign insurer so that the parent entity may eliminate double counting of that capital requirement which will now be reported by the stand-alone Branch listed in the inventory. The amounts entered in this column for a Parent must correspond to the capital required by the parent entity which is being de-stacked from that Parent.

Capital calculations for Schedule A and Schedule BA indirectly owned **financial entities** that are owned by Schedule A or Schedule BA assets are reported in the Inventory Tab and will be adjusted out of the value reported by the U.S. insurer in this column (since the non-financial direct parent Schedule A or BA affiliate is not listed in the Inventory Tab).

In the “Questions and Other Information” tab, a capital requirement should be reported for the value of the indirectly owned insurance of other financial entity based on the insurers Schedule A or Schedule BA charge rather than a charge (which would be zero) attributable to the Schedule A or Schedule BA entity that directly owns the insurance or other financial entity. As indicated earlier, the remaining capital requirement of the entity that directly owns the insurance or other financial entity will remain with the Parent insurer.

- **[Inv C Col 4] Intragroup Capital Instruments** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on surplus notes purchased by an affiliated U.S. insurer from a U.S. insurer issuer).

- **[Inv C Col 5] Reported Intragroup Guarantees, LOCs and Other** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on guarantees or LOCs).
- **[Inv C Col 6] Other Intragroup Assets** – This column is not intended to be used for required capital but is included in case an entity believes it is necessary from reporting an inaccurate required capital figure.
  - a. Loans, receivables and arrangements to centralize the management of assets or cash.
  - b. Derivative transactions.
  - c. Purchase, sale or lease of assets.
  - d. Other (describe in “Questions and Other Information” tab).
- **[Inv C Col 7] All Other Adjustments** – Include a brief explanation in the “Description of ‘Other Adjustments’” in the “Questions and Other Information” tab. Use this column for adjustments related to required capital that correspond to adjustments in Inventory B, Column 7 and in cases where an entity believes it is necessary to adjust an inaccurate regulatory required capital figure (e.g., the RBC calculation applied as a permitted practice).

**NOTE:** Consider whether this column should be used rather than Column 2 for zero value entities.

- **[Inv C Col 8] Adjusted Capital Calculation** – Stand-alone capital calculation for each entity per the calculation to eliminate double-counting. This value includes the impact of permitted and prescribed practices.
- Inventory D is for “Reference Calculations Checks.” These are calculations that can serve as checks on the reasonability/consistency of entries.
  - a. **[Inv D Col 1 – 3] Sum of Subsidiaries (Carrying Value)** – This automatically generated column calculates the value of the carrying value of the underlying subsidiaries. It is provided for reference when filling out the “Investment in Subsidiary” column. This sum will often, but not always, be equal to the “Investment in Subsidiary” column.
  - b. **[Inv D Col 4 – 6] Sum of Subsidiaries (Calculated Capital)** – Similar to above but for calculated capital.
  - c. **[Inv D Col 7 – 8] Carrying Value/Adj Calc Cap** – This is a capital ratio on the adjusted and unadjusted figures. Double-check entities with abnormally large/small/negative figures to make sure that adjustments were done correctly.

### Input 3 – Capital Instruments

69. Provide all relevant information pertaining to paid-up (i.e., any receivables for non-paid-in amounts would not be included for purposes of calculating the allowance) financial instruments issued by the Group (including senior debt issued by a holding company), except for common or ordinary shares and preferred shares. This worksheet aims to capture all financial instruments such as surplus notes, senior debt, hybrid instruments and other subordinated debt. Where a Volunteer Group has issued multiple instruments, the Volunteer Group should not use a single

row to report that information; one instrument per row should be reported (multiple instruments issued under the same terms may be combined on a single line). All qualifying debt should be reported as follows.

70. Debt issued by U.S.-led groups:

- Surplus Notes – Report the outstanding value of all surplus notes in Column 8 whether issued to purchasers within or outside the group. The outstanding value of surplus notes issued to entities outside the group and that is already recognized by state insurance regulators and reported 100% as capital in the carrying value of U.S. insurer issuers in “Inventory B” will not be included in the calculation for an additional capital allowance. Surplus notes issued within the group generally result in double-counting and will not be included in the additional capital allowance. (See instructions below.)
- Subordinated Senior Debt and Hybrid Debt Issued (e.g., debt issuances that receive an amount of equity credit from rating agencies) – The outstanding value will be reported in Column 8. Recognition for structurally subordinated debt will be allowed to increase available capital. For purposes of qualifying for recognition as additional capital, both of the following criteria must be met:
  - a. The instrument has a fixed term (a minimum of five years at the date of issue or refinance, including any call options other than make whole provisions<sup>1</sup>). However, if the instrument is callable within the first five years from the date of issue it may be considered qualifying debt if any such call is at the option of the issuer only (the instrument is not retractable by the holder) AND it is the intent of management to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument.
  - b. Supervisory review or approval is required for any ordinary\* or extraordinary dividend respectively or distribution from any insurance subsidiary to fund the repurchase or redemption of the instrument. Supervisory approval of ordinary dividends is met if the supervisor has in place direct or indirect supervisory controls over distributions, including the ability for the supervisor to limit, defer and/or disallow the payment of any distributions should it find that the insurer is presently, or may potentially become, financially distressed. There shall be no expectation, either implied or through the terms of the instrument, that such approval will be granted without supervisory review.

\*The concept of approval for ordinary dividends is for GCC purposes and is met as described in subparagraph b, above. It is not intended to require explicit regulatory approval or in any way alter current provisions of Model #440 or the *Insurance Holding Company System Model Regulation* (#450).

- “Other” Debt – The outstanding value will be reported in Column 8 and will be further described in the “Other Information” tab and will be reported in a manner that is

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<sup>1</sup> NAIC staff have been informed that make whole provisions are a form of a call feature that can be exercised by the issuer at any time; that they nonetheless are most frequently utilized near the end of the term of the instrument, generally in connection with refinancing; and that the cost to the issuer to exercise the make whole provision and associated financial reporting impacts, combined with the very low interest rate environment, make it much less likely that such provisions will be triggered, particularly within five years of issuance. Staff will continue their research, and assuming these observations are confirmed, the referenced criteria will continue to scope out make whole provisions.

consistent with Senior Subordinated Debt, as described above. Such debt will not initially be included in the additional capital allowance for the GCC. An additional allowance of this debt as additional capital will be calculated in this tab and reported as a sensitivity analysis in the “Summary” 2 tab, subject to future determination on whether it will become part of the GCC calculation.

- Foreign Debt – Report the outstanding value of Non-U.S. senior debt issued to entities outside the group in Column 8. Debt specifically recognized by statute, regulation or accounting rule as additional capital resources by the lead jurisdiction based on contractual subordination or where a regulatory regime proactively enforces structural subordination through appropriate regulatory/supervisory controls over distributions from insurers in the group will not be included in the calculation of an additional capital allowance if it is already reported as capital in the carrying value of the issuer in “Inventory B”. It will be included in the calculation of an additional capital allowance if recognized by the local jurisdiction and NOT already included in the value of the issuer in “Inventory B”. Cases where the value of debt instruments issued to purchasers outside the group has not been recognized by the legal entity’s insurance or other sectoral supervisor will not be included in the additional capital allowance.

71. Please fill in columns in Section 3A as follows for all capital instruments:

- [Sec 3A Col 1] **Name of Issuer** – Name of the company that issued the capital financial instrument.<sup>2</sup> Will populate automatically from the “Entity Identifier” column in this subsection.
- [Sec 3A Col 2] **Entity Identifier** – Provide the reference number that was input in Schedule 1.
- [Sec 3A Col 3] **Type of Financial Instrument** – Select type from the drop-down menu. Selections include Senior Debt, Surplus Notes (or similar), Hybrid Instruments and “Other” Subordinated Debt.
- [Sec 3A Col 4] **Instrument Identifier** – Provide a unique security identifier (such as CUSIP). ALL debt instruments must include an internal identifier if not external identifier is available.
- [Sec 3A Col 5] **Entity Category** – Links automatically to selection made on the “Inventory” tab worksheet.
- [Sec 3A Col 6] **Year of Issue** – Provide the year in which the financial instrument was issued or refinanced.
- [Sec 3A Col 7] **Year of Maturity** – Enter the year in which the financial instrument will mature.
- [Sec 3A Col 8] **Balance as of Reporting Date** – Enter the principal balance outstanding as reported in the general-purpose financial statements of the issuer.

- [Sec 3A Col 9] **Intragroup Issuance** – Select whether the instrument was issued on an intragroup basis (that is, issued to a related entity within the group). This column will be used to remove “double-counting.” This column is a drop-down menu box with options “Y” and “N.”
- [Sec 3A Col 10] **Treatment in Inventory B** – Select option that applies:
  - a. **Capital** – This instrument is recognized by the applicable regulator or credited as capital in local regulatory regime and reported as part of the adjusted carrying value of the issuer and was not purchased by an affiliate. This includes the value of qualifying senior and hybrid debt instruments (if recognized as capital) and U.S. surplus notes (or similar local regime instruments) that are issued to entities outside the group and included in the issuing entity’s value in the “Inventory B” tab. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital.
  - b. **Liability** – This instrument is reflected by the issuer as a liability in the adjusted carrying value in the “Inventory B” tab and was not purchased by an affiliate. This would apply to all qualifying senior and hybrid debt issued to purchasers outside the group that is not recognized as capital by the local regulator and therefore is not included in the issuing entity’s value in the “Inventory B” tab. The value will be included in the calculation of a proxy allowance for additional capital.
  - c. **Liability designation** would also apply to all non-qualifying senior and hybrid instruments and all debt categorized as “Other” issued to purchasers outside the group that is not recognized as capital by the local regulator. The value of these instruments will NOT be included the calculation for the in the calculation of a proxy allowance for additional capital.
  - d. **Intragroup** – This would apply to all qualifying instruments purchased by an affiliate within the group. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital. If the financial instrument is recognized or credited as part of the issuer’s available capital in Inventory B, then an adjustment for intragroup capital instruments is made in Inventory B, Column 4 and Inventory C adjustments (if necessary to eliminate an associated capital requirement). If the financial instrument is treated as a liability by the issuer, then no intragroup capital instrument adjustment is required in Inventory B or Inventory C.
  - e. The outstanding value of all non-qualifying senior and hybrid instruments and financial instruments categorized as “Other Debt” whether issued to purchasers inside or outside the group will not be included in the calculation of a proxy allowance for additional capital and no other adjustments are required in the template. However, in the unlikely event that the instrument is treated as available capital to the issuer in Inventory B, an adjustment in Inventory B, Column 4 to remove the available capital would be required.

**NOTE:** Additional information on instruments categorized as “Other Debt” in the Type of Financial Instrument Column will require additional information to be provided in the “Questions and Other Information” tab.

**For intragroup surplus notes,** the adjustment will impact the carrying value and associated capital calculation of the purchasing affiliated entity.

- [Sec 3A Col 11] **Intragroup Purchaser Identifier** – Enter the entity identify for the affiliate entity that purchased the instrument.
- [Sec 3A Col 12] **Description of Other Debt Instruments** – Provide a description of instruments designated as “Other.”
- [Sec 3A Col 13] **Call Provisions Criteria** – Respond “Y” or “N” as to whether the instrument is subject to a call provision (other than a make whole provision) in the first five years AND it is management’s intent to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument. Respond “X” if the instrument has a maturity of greater than five years including any call provisions.
- [Sec 3A Col 14] **Potentially Recognized Instrument** – This is an automatic calculation to determine if this is instrument that has potential to be recognized as additional capital in the GCC and/or in sensitivity analysis. The column will show “Y” if each of the following is true: 1) it is Senior Debt, Hybrid or Other instrument; 2) the instrument is not intragroup; and 3) the instrument is treated as liability on Inventory B. These are calculated using Column 3, Column 9, and Column 10, respectively.
- [Sec 3A Col 15] **Other Criteria Met** – This is an automatic calculation to determine if instrument qualifies due to criteria beyond those in Column 14. The column will show “Y” if: 1) the instrument has initial maturity of greater than five years including any call provision (i.e., “X” is reported in Column 13); and 2) it meets the “Call provisions criteria” in Column 13 (i.e., “Y” is reported in Column 13).
- [Sec 3A Col 16] **Qualified Debt** – This column is calculated automatically using data from the entries in Column 14 and Column 15. To qualify, an instrument needs a “Y” in both columns. It represents the amount of qualifying debt that will be used in the calculation of an allowance for addition capital under the alternate subordination method and the proxy allowance method. This amount will be carried into Section 3C, Column 1, Line 3.

72. Section 3C will be auto-filled, with the exception of Column 1, Line 2.

- [Sec 3C Col 1, Line 1] **Total Paid-In and Contributed Capital and Surplus** – This is the amount reported on Page 3 of the annual financial statement submitted to regulators by a U.S. insurer.
- [Sec 3C Col 1, Line 2] **Alternate Subordination Calculation** – This manual entry is the excess of qualifying debt issued over liquid assets held by the issuing consolidated holding company as reported in the consolidated financial statements. No entry is expected for a mutual group.
- [Sec 3C Col 1, Line 4] **Downstream Estimate** -The total reported under the alternate subordination approach will be compared to the total amount of gross paid-in or contributed capital and surplus reported by the insurance entities within the group as

reported in Schedule 1. The greater value will be carried into the calculation for an additional capital allowance.

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- **[Sec 3C Col 1, Line 5] Proxy Calculation for Additional Capital Allowance** – A calculation will be made in this tab in Section 3B that will apply 30% of available capital plus the value of all qualifying debt to become part of the proxy allowance for additional capital for qualifying senior subordinated. An additional amount of 15% of available capital plus the value of all qualifying debt will be calculated to become part of a proxy allowance for additional capital be for hybrid debt.

**Summary Formula:** Proxy Amount =  $(30\% \times (\text{Available Capital} + \text{Qualifying Senior and Hybrid Debt})) + (15\% \times (\text{Available Capital} + \text{Qualifying Senior and Hybrid Debt}))$

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- **[Sec 3C Col 1, Line 6 through Line 8]** – The greater of the proxy calculation or the larger of paid in capital or alternate subordination calculation will be allowed as additional capital in **[Sec 3C Col 6]**. However, an overall limit of no more than 75% of the total adjusted carrying value in Inventory B will be applied in **[Sec 3C Col 7]**. Adjustments to increase available capital will be calculated from data on this page. The summary results of the components of the calculation (paid in capital and surplus, alternate subordination, proxy calculation and limitations) are populated as titled in the calculation columns in this section. The final amount recognized as additional capital is shown in **[Sec 3C Col 8]**.
- The additional capital allowance recognized for capital instruments will be shown as an “on-top” adjustment in the “Summary 1 – Entity Level” tab.

#### **Summary Calculation for Debt Allowed as Additional Capital:**

Step 1: Calculate the following amounts:

- a) The greater of Total paid-in capital and surplus of U.S. insurers or the alternative subordination calculation (defined above)
- b) A proxy value (defined above)

Step 2: Take the greater of a) or b) from Step 1, and subject that amount to two limitations:

- First, the total amount to qualify as capital cannot exceed 100% of the total outstanding value of qualified senior and hybrid debt.
- Second, the total amount to qualify as capital cannot exceed 75% of the total adjusted carrying value in Inventory B.

After applying the two limitations in Step 2, the remaining amount is allowed as additional capital.

73. **Informational calculation to include “Other Subordinated Debt”** – A sensitivity analysis will be applied in [Sec 3C Col 2, Line 1 through Line 8] and carried into the “Summary 2” tab to adjust the amount of additional capital in the proxy calculation by the amount of “Other Debt” reported in [Sec 3C Col 8] issued to purchasers outside the group. This informational sensitivity analysis will include an additional allowance for such debt up to 15% of available capital plus the value of all qualifying debt including qualifying “Other” debt subject to the same limitations noted for the proxy allowance in general.

#### **Input 4 – Analytics**

74. The entity type information supporting analytics summarized in Summary 3 – Analytics are pulled into this tab from data or information reported in other tabs in the GCC template. That data is exported into summaries in the “Summary 3 – Analytics” tab. Only 2020 data is currently to be populated. However, it is contemplated that going forward, data for prior years will also be populated such that it will provide the Lead State Regulator with metrics to identify trends over time.

#### **Input 5 – Sensitivity Analysis and Inputs**

75. All sensitivity analysis is ultimately calculated in the “Summary 2” tab. Inputs for Analysis 1, 2, 5, 6, and 7 are not required in this tab. They are populated from other tabs as described below and automatically calculated in the “Summary 2” tab. However certain analysis requires inputs from this tab. Inputs are required in this tab for Analysis 3, Analysis 4, Analysis 8, and Analysis 9. Those inputs are automatically pulled into the calculation in the Summary 2 tab. Sensitivity Analysis are intended to provide the Lead State Regulator additional information that helps them better understand the financial condition of the group. Similar to the sensitivity analysis included in the legal entity RBC, it provides the regulator with additional information and allows them to consider “what-if” scenarios to better understand the impact of such items. The results of these analysis will not impact the GCC ratio.

- **[Analysis 1]: GCC overall sensitivity analysis** – No additional data is needed in the tab. The overall GCC ratio will be presented at 300% x ACL level. This calculation will increase the calculated capital for most entity types by a factor of 1.5. However, entities with existing regulatory capital requirements (e.g., foreign insurers and banks) will be reported at the same level specified in these instructions for both the GCC and the sensitivity analysis (i.e., at 100% of the jurisdictional or sectoral PCR requirements).
- **[Analysis 2]: Excluded non-insurance/non-financial entities without material risk** – No additional data is needed in the tab. The data for entities where exclusion has been requested and the lead state does not agree will be populated based on entries in [Sch 1B Col 3] and data in Inventory B, Column 2 and Inventory C, Column 2. This analysis will be applied and reported in the “Summary 2” tab. It will provide the regulator with the impact of excluding non-agreed-upon entities on the GCC ratio.
- **[Analysis 3 and Analysis 4]: Permitted practices** – This information shows the amount of U.S. permitted practices as described in the Preamble of the *Accounting Practices and*

*Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio.

- **Prescribed Practices** – This information to be entered on this tab shows the amount of U.S. prescribed and prescribed practices as described in the Preamble of the *Accounting Practices and Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio. This analysis will be applied and reported in the “Summary 2” tab.
- **Permitted and Prescribed Practices** – Report values from annual financial statement Note 1 (excluding those pertaining to XXX/AXXX captives):
  - a. Entity identifier
  - b. Value of permitted practice
  - c. Capital Requirement attributable to permitted practice (if any)
  - d. Description of permitted practice
  - e. Value of prescribed practice
  - f. Capital requirement attributable to prescribed practice (if any)
  - g. Description of prescribed practice
- **[Analysis 5]: Foreign Insurer Capital Requirements Scaled** – No additional data is needed in the tab. This information shows the amount of foreign insurer capital calculations scaled by applying scalars using the Excess Relative Ratio approach at a 200% x ACL RBC calibration level and at 300% x ACL for all non-U.S. jurisdictions where scalar data is available (see Appendix 1). The sensitivity analysis allows the state to understand the impact of this specific scaling method on the GCC ratio. This information is populated from the “Scalar” tab. This analysis will be applied and reported in the “Summary 2” tab.
- **[Analysis 6]: Debt Classified as “Other”** – No additional data is needed in the tab. The analysis data will be populated from the “Capital Instruments” tab and the analysis and will be applied and reported in the “Summary 2” tab.
- **[Analysis 7]: Alternative Capital Calculation for Non-Financial Entities** – No additional data is needed in the tab. The values reported will represent the alternative revenue-based values for capital calculation that is being captured in the template. The data will be populated from Schedule 1 and Inventory B and the analysis will be applied and reported in the “Scaling Non-Insurance” tab (Calc 2).
- **[Analysis 8]** For captives other than XXX/AXXX, all other U.S. captives shall make an asset adjustment as described below;

**Asset Impact**

76. For the asset impact, it is ONLY required for the assets included in a captive or an entity not required to follow the statutory accounting guidance in the *Accounting Practices and Procedures Manual*. It is not required for assets for those groups that retain such business in a non-captive traditional insurance company(ies) already required to follow the *Accounting Practices and Procedures Manual*.

**NOTE:** Variations for state prescribed and permitted practices are captured in the separate sensitivity analysis.

77. The asset impact amount shall be determined based on a valuation that is equivalent to what is required by the *Accounting Practices and Procedures Manual* (SAP). For this purpose, “equivalent” means that, at a minimum the listed adjustments (as follows) be made with the intent of deriving a valuation materially equivalent to what is required by the *Accounting Practices and Procedures Manual*, however, without requiring adjustments that are overly burdensome (e.g., mark-to market bonds used by some captives under U.S. GAAP versus full SAP that considers NAIC designations). To be more specific, the asset impact shall be developed by accumulating the impact on surplus because of an accumulation of all the following in paragraph 78 and paragraph 79 combined.

**NOTE:** Letters of credit or other financial instruments that operate in a manner like a letter of credit, which are not designated as an asset under either SAP or U.S. GAAP and are required to be adjusted out of the available assets (i.e., the asset reduction is recorded as a negative figure in the template).

78. To achieve the above, accumulate the effect of making the following impact and record as a negative figure in the template, an asset adjustment for all the following explicit assets not allowed to be admitted under SAP:

- Assets specifically not allowed under the *Accounting Practices and Procedures Manual* in accordance with paragraph 9 of SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.
- SSAP No. 6—*Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers*.
- SSAP No. 16R—*Electronic Data Processing Equipment and Software*.
- SSAP No. 19—*Furniture, Fixtures, Equipment and Leasehold Improvements*.
- SSAP No. 20—*Nonadmitted Assets*.
- SSAP No. 21—*Other Admitted Assets* (e.g., collateral loans secured by assets that do not qualify as investments are nonadmitted under SAP).
- SSAP No. 29—*Prepaid Expenses*.
- SSAP No. 105—*Working Capital Finance Investments*.
- Expense costs that are capitalized in accordance with GAAP but are expensed pursuant to statutory accounting as promulgated by the NAIC in the *Accounting Practices and Procedures Manual* (e.g., deferred policy acquisition costs, pre-operating, development and research costs, etc.).

- Depreciation for certain assets in accordance with the following SSAPs:
    - *SSAP No. 16R—Electronic Data Processing Equipment and Software.*
    - *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements.*
    - *SSAP No. 68—Business Combinations and Goodwill.*
  - The amount of goodwill of the SCA more than 10% of the audited U.S. GAAP equity of the SCA's last audited financial statements.
  - The amount of the net deferred tax assets (DTAs) of the SCA more than 10% of the audited U.S. GAAP equity of the SCA's last audited financial statements.
  - Any surplus notes held by the SCA issued by the reporting entity.
79. In addition, record as a negative figure, an asset impact for any assets that are not recognized as an admitted asset under the principles of *SSAP No. 4—Assets and Nonadmitted Assets*, including:
- Letters of credit, or other similar instruments, that operate in a manner like a letter of credit and, therefore, do not meet the definition of "asset" as required under paragraph 2.
  - Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests, should not be recognized on the balance sheet and are, therefore, considered nonadmitted.
  - Assets of an insurance entity pledged or otherwise restricted by the action of a related party, the assets are not under the exclusive control of the insurance entity and are not available to satisfy policyholder obligations due to these encumbrances or other third-party interests. Thus, such assets shall not be recognized as an admitted asset on the balance sheet.
  - **[Analysis 9]: Other Regulator Discretion** – This analysis is designed to reflect other regulator adjustments including for transactions other than XXX/AXXX reinsurance where there are differences in regulatory regimes exist and there is a desire to fully reflect U.S. Statutory Accounting treatment or to reflect the lead state's view of risk posed by financial entities without specified regulatory capital requirements or risk posed by non-insurance/non-financial entities that have been included in the GCC. This will be a post-submission item completed by the Lead State Regulator. Enter the following information here:
    - a. Entity identifier.
    - b. Amount of adjustment.
    - c. Description of regulatory issue.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

## **Input 6 – Questions and Other Information**

80. This tab provides space for participants to describe or provide greater detail for specified entries in other tabs (as noted in the instructions for the columns in those tabs) or additional relevant information not captured in the template. Examples include; adjustments for intragroup debt, description of permitted practices; and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab. Specified items are included in the tab. Other information that the filer believes is relevant should be added freeform in this tab.

### **Information or Detail for Items Not Captured in the Template**

- Intercompany Guarantees – Provide requested information:
  - a. Entity identifier issuing the guarantee.
  - b. Entity identifier of entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the guarantee.
  - d. Describe the nature of the guarantee.
- Capital Maintenance Agreements – Provide requested information:
  - a. Entity identifier obligated under the agreement.
  - b. Entity identifier for entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the agreement.
  - d. Describe the nature of the agreement.
- Value of intangible assets included in non-insurance Holding Companies – Provide the requested information for all entities designated in the non-operating holding company entity category.
  - a. Entity identifier.
  - b. All goodwill.
  - c. All intangibles related to health care services acquisitions included in local carrying value column in Inventory B. Examples include, but are not limited to, customer relationships (policy retention, long-term health services contracts) and technology/patents/trade names and provider network contracts.
  - d. All other intangible assets included in local carrying value column in Inventory B.
  - e. Total of line b, line c and line d.\*
  - f. A description of each intangible asset included in line d.

\* Auto populated.

Further detail on amounts reported for specific intangibles other than goodwill may be requested by the Lead State Regulator during review of the GCC template.

### **Information or Detail for Items Captured in the Template**

- Currency Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 2 is different than the amount in Inventory B, Column 1 due to currency conversion.

- a. Entity identifier.
  - b. Currency type reported in Inventory B, Column 1 and Inventory C, Column 1 (foreign currency).
  - c. Conversion rate applied.
  - d. Source of conversion rate applied.
- Intragroup Assets – Description of Adjustments for intragroup assets reported in Inventory B, Column 6 and Inventory C, Column 6. Provide the following information:
    - a. Entity identifier.
    - b. Amount reported in Inventory B, Column 6.
    - c. Description of adjustment.
  - Other Adjustments – Description of adjustments reported in Inventory B, Column 7 and Inventory C, Column 7. Provide the following information:
    - a. Entity identifier.
    - b. Amount reported in Inventory B, Column 7.
    - c. Description of adjustment.
  - Accounting Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 1 is different than the amount in Inventory B, Column 2 due to differences in accounting basis
    - a. Entity identifier.
    - b. Value reported in Inventory B, Column 1.\*
    - c. Value reported in Inventory B, Column 2.\*
    - d. Total amount of adjustments related to difference in accounting basis.\*
    - e. Nature of adjustment (e.g., GAAP to SAP).

\* Auto populated.

- **Stress Scenario Narrative** – If the participating group believes that the standard stress scenario represents a reasonable adverse scenario, they can state so in the narrative and no further work is required. However, to further inform the GCC and lead state regulators and to enhance the value of the Trial, participating groups may provide a high-level description of the anticipated market conditions or other reasonably likely group-specific drivers that would lead to the group's own specified level of stress results (i.e., the group specific potential adjustments to available capital and calculated capital) with focus on the impact on the debt allowance. These are independent assumptions from those automatically calculated in the Stress inputs tab (as described in the Stress Inputs section and in Appendix 2). The group assumed percentage adjustment may or may not align with the standardized thirty percentage in general or any entity specific adjustments calculated in the Stress Summary tab. In addition, provide any comments relating to the potential for procyclical or otherwise unintended GCC ratio results in specific areas of the calculation.
- The tab also includes a listing of all Schedule A and Schedule BA affiliates, along with the following information:

- a. Parent identifier (if available) – This is the same information as is included in Schedule 1 [**Sch 1B Col 3**] as would be entered for non-Schedule A/Schedule BA affiliates.
- b. Parent Name – Enter the Name of the Parent.
- c. Is Parent a Schedule A or Schedule BA Asset? – This column is only required for financial entities that are Directly owned by a Schedule A or Schedule BA Affiliate. No other downstream affiliates owned by Schedule A or Schedule BA entities need to be listed. These entities are not normally independently reported in Schedule A and Schedule BA so are extra entries.
- d. Financial? (Y/N) – If the entity meets the criteria as being a financial entity, indicate with a “Yes” response. A “No” response is not required for other entities listed. “Yes” entries should correspond to “Yes” entries in Schedule 1 [**Sch 1B Col 16**].
- e. Carrying Value of Immediate Parent – Report the value listed in Schedule A and Schedule BA of the Parent insurer. For those cases where an indirect financial entity is reported use the value used by the direct Parent.
- f. Capital Requirement for Immediate Parent – Report the value listed in the RBC report of the Parent insurer (pre-tax where applicable). For those cases where an indirect financial entity is listed, report the value of the capital requirement attributable to the Insurer rather than the direct non-financial Schedule BA Parent. The capital requirement reported in this column for the immediate Schedule BA Parent should be adjusted to deduct the amount moved to Schedule 1 and Inventory C.

### Calc 1 – Scaling (Insurance Entities)

81. All entries in this tab are calculation cells populated using data from within the tab or using data from elsewhere in the template. Scaled values for calculated capital will become part of the GCC ratio. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab. The concept of a scalar was first introduced to address the issue of comparability of accounting systems and capital requirements between insurance regulatory jurisdictions. The idea is to scale capital requirements imposed on non-U.S. insurers so as to be comparable to an RBC-based requirement. Two approaches for scaling related to foreign insurers were presented, and others are being explored and will be reviewed. A decision on the scaling methodology to be adopted into the GCC template will be made at the end of the review. In the interim a scalar of 100% of the jurisdictional PCR will be applied to all jurisdictions where a risk-sensitive capital requirement is in place.

82. Information on the Excess Relative Ratio (ERR) scalar methodology will be collected and applied in the “Sensitivity Analysis” tab.

**NOTE:** See Appendix 1 for more information and examples on how the ERR scalars are calculated.

83. For jurisdictions without risk-sensitive capital requirements a 100% charge will be applied to adjusted carrying value.

## Calc 2 – Capital Calculations for Non-insurance Entities

84. All entries in this tab are either calculation cells using data from within the tab or using data populated from elsewhere in the template. Calculated capital for all entities except insurers will be reported in this tab. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab.
85. In addition, one informational option for calculated capital for financial entities without an existing regulatory capital requirement and one informational option for calculated capital for non-financial entities will be reported in this tab. Those calculation will not be carried into the “Summary 1 – Entity Level” tab and will not be part of the GCC ratio.
86. Only amounts for entities that the filer and the Lead State Regulator agree should **not** be excluded [Sch 1B Col 2] will be brought into the calculation in this tab and the “Summary 1 – Entity Level” tab. Entities where the Lead State Regulator does not agree with the filer’s request to exclude an entity will be part of the GCC ratio.

## Summary 1 – Entity Level GCC Summary

87. Summarized results by entity type for the GCC ratio will be reported in this tab. An on top adjustment for debt allowed as additional capital will be added at the bottom of the table. All informational sensitivity analysis will be reported in Summary 2 and will not impact the GCC ratio.

## Summary 2 – Informational Sensitivity Tests

88. Summary results for each informational sensitivity analysis described in the “Sensitivity Analysis Inputs” tab will be shown here. Each sensitivity analysis will be shown on a stand-alone basis. It is expected that each informational sensitivity analysis will run automatically in the background and the results for each displayed in this tab. The results for the informational sensitivity analysis will not be included in the “Summary 1 – Entity Level” tab.

## Summary 3 – Analytics

89. Summary results for metrics described in the Analytics Guidance [insert attachment or appendix reference] and utilizing data collected in the “Input 4 – Analytics” tab or other tabs in the GCC will be calculated and presented here.

## Summary 4 – Alternative Grouping Option(s)

90. One sample alternative structure for grouping by entity type or jurisdiction in the GCC is displayed based on a suggested method. It can be modified, or other suggestions can be accommodated based on combining data from **Schedule 1 and the Inventory** in defined ways.

This tab is intended to be an additional analytical tool. The tool summarizes the GCC based on how a reporting entity views its organization, and provides regulators that view, to align it with regulatory information, other than what is reported elsewhere in the GCC template, that the reporting entity has submitted such as current filings, communications, etc. In this summary view, entities are organized into like regimes (e.g., RBC filers, foreign insurers, banks, financial, or non-financial entities) and multiple entities may be grouped together, in order to create a view of capital that is easy to review and analyze within each grouping. The intent of this approach is to provide an additional analytical tool designed to enhance dialogue between the Lead State Regulator and the company contemplated by the GCC filing. This view is transparent (no scalers, no adjustments, no de-stacking) so that financial information may be cross-walked to other financial submissions such as RBC filings. However, it does contain double counting of available and required capital (“i.e., intra-company investments and transactions are not eliminated) and cannot be used to create a GCC ratio.

91. The results are dependent on how the reporting entity populated. Input 1 – Schedule 1, Column 9 Alternative Grouping. For example, if you have a dozen small dental HMO businesses, you may wish to collapse the results to a single line called “Dental HMOs,” by populating Input 1 – Schedule 1, Column 9 Alternative Grouping for each dental HMO as “Dental HMOs.” Then right-click and select “Refresh” to see the results with the “Dental HMOs” combined.
92. For reference, the data for the Summary 4 – Grouping Alternative is from Calc 1 – Scaling (Ins, Bank), which is fed by the inputs made in Input 1 – Schedule 1, Input 2 – Inventory, etc.

### **Stress Inputs**

93. All entries in this tab (Columns D thru W) are either calculation cells using data from within the tab or using data populated from elsewhere in the template in a standardized approach. Available capital and calculated capital for all entities using the standardized stress level of 30xx% will be reported in this tab. The calculated values will be summarized in the “Stress Summary” tab.

93.94. The filer may use the available Company Input section in the tab (Columns Y thru AH) that allows data entry in order to apply the standardized 30% stress level to additional entity categories not adjusted in the standardized approach (e.g., foreign insurers subject to scalars in the sensitivity analysis). If utilized, the additional adjustments are considered the group’s view on enhancements to the standardized approach. As with the standardized stress scenario generally, these are independent of the text narrative included in the Input 6 tab. Completion of these columns is not required and would be used for review purposes. The inputted values will be summarized in the “Stress Summary tab.

NOTE: This tab is not required for groups that are not including an allowance for qualifying debt as additional capital. However, automated entries will appear in the tab as currently constructed.

94.95. Separate from this standardized stress scenario, a text narrative describing the group's own assumptions on potential stress drivers should be included in the Input 6 tab as specified in the instructions for the Input 6 tab.

**NOTE:** Also see Appendix 2 for more detail related to the Stress inputs and separate narrative.

### **Stress Summary**

96. Summarized results by entity type will be reported in this tab.

## Appendix 1 – Explanation of Scalars

95.97. The concept of a scalar is to equate the local capital requirement to an adjusted required capital level that is comparable to U.S. levels. The purpose of a scalar is to address the issue of comparability of accounting systems and capital requirements between jurisdictions. The following provides details on how the scalars were calculated by the NAIC, or how they are to be used when the NAIC has not developed a scalar for a country due to lack of public data.

### Excess Relative Ratio Approach

96.98. Included below are various steps to be taken in calculating the excess relative ratio approach to developing jurisdiction-specific scalars. In order to numerically demonstrate how this approach could work, hypothetical capital requirements and financial amounts have been developed for Country A. Based on preliminary research that has been performed by NAIC staff, it appears that the level of conservatism built into accounting and capital requirements within a jurisdiction may differ significantly for life insurers and non-life insurers. Therefore, ideally each jurisdiction would have two different scalars based on the type of business. The example below includes information related to life insurers in the U.S. and Country A.

#### Step 1: Understand the Jurisdiction’s Capital Requirements and Identify the First Intervention Level

- a. The first step in the process is to gain an understanding of the jurisdiction’s capital requirements. This can be done in a variety of ways including reviewing publicly available information on the regulator’s website, reviewing the jurisdiction’s Financial Sector Assessment Program (FSAP) reports and discussions with the regulator.

In Country A, assume that the capital requirements for life insurers are based on a capital ratio, which is calculated as follows:

$$\text{Capital ratio} = \frac{\text{Total available capital}}{\text{Base required capital (BRC)}}$$

In the U.S., capital requirements are related to the insurer’s RBC ratio. For purposes of the Relative Ratio Approach, an Anchor RBC ratio is used and calculated as follows:

$$\text{Anchor RBC ratio} = \frac{\text{Total adjusted capital}}{100\% \text{ Company Action Level RBC}^*}$$

\* 100% Company Action Level RBC is equal to the Total RBC After Covariance including operational risk, without adjustment or 200% Authorized Control Level RBC.

- b. Similar to legal entity RBC requirements in the U.S., Country A utilizes an early intervention approach by establishing target capital levels above the prescribed minimums that provide an early signal so that intervention will be timely and for there to be a reasonable expectation that actions can successfully address difficulties. Presume that this target capital level is similar to the U.S. Company Action Level (CAL) event, both of which can be considered the first intervention level in which some sort of action—either on the part of the insurer or the regulator—is mandated.

A separate sensitivity calculation will be applied in the GCC template using trend test level RBC.

- c. For Country A, the target capital level is presumed to be a capital ratio of 150%. That is, the insurer's ratio of total available capital to its BRC should be above 150% to avoid the first level of regulatory intervention. Again, this is similar to the U.S. CAL event, which is usually represented as an RBC ratio of 200% of Authorized Control Level (ACL) RBC (ignoring the RBC trend test). In the Relative Ratio approach, the Anchor RBC ratio represents the Company Action Level event (or first level of regulatory intervention) as 100% CAL RBC (instead of 200% ACL RBC), because CAL RBC is the reference point that is used to calibrate against other regimes. The Anchor RBC Ratio ( $\text{Total Adjusted Capital} \div 100\% \text{ CAL RBC}$ ) tells us how many "multiples of trigger level capital" that the company holds. Conceptualizing the CAL event as 100% CAL RBC allows the consistent definition of local capital ratios that are calibrated against a "multiples of the trigger level" approach, to ensure an "apples-to-apples" comparison.<sup>3</sup>

#### Step 2: Obtain Aggregate Industry Financial Data

**97.99.** The next step is to obtain aggregate industry financial data, and many jurisdictions include current aggregate industry data on their websites. Included below are the financial amounts for use in this exercise.

<i>U.S. Life Insurers – Aggregate Data</i>
Total Adjusted Capital = \$495B
Authorized Control Level RBC = \$51B
Company Action Level RBC = \$102B

<i>Country A Life Insurers – Aggregate Data</i>
Total Available Capital = \$83B
BRD = \$36B

#### Step 3: Calculate a Jurisdiction's Industry Average Capital Ratio

**98.100.** To calculate a jurisdiction's average capital ratio, the aggregate total available capital for the industry would be divided by the minimum or base capital requirement for the industry in computing the applicable capital ratio. In Country A, this would be the BRC. In the U.S., this base or minimum capital requirement is usually seen as the ACL RBC, but because the Relative Ratio Approach is using 100% CAL RBC as a reference point to calibrate other regimes to, the Relative Ratio formula uses 100% CAL RBC as the baseline and the first-intervention level to calculate the Average Capital Ratio and Excess Capital Ratio. As a result, the scaled ratio of a non-U.S. company should inform regulators how many multiples of first-intervention level

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While it is mathematically equivalent to use 200% ACL RBC as the denominator, the Approach is designed to use the representation of first-intervention level capital levels as the conceptual underpinning of the Relative Ratio Approach, where 100% CAL RBC is the reference point to calibrate against other regimes.

capital the non-U.S. company holds. Included below is the formula to calculate a jurisdiction's industry average capital ratio:

*Calculation of U.S. Industry Average Capital Ratio – Life Insurers*

\$495B (Total Adjusted Capital)

\$102B (CAL RBC) = **485%**

*Calculation of Country A Industry Average Capital Ratio – Life Insurers*

\$83B (Total Available Capital)

\$36B (RC) = **231%**

Step 4: Calculate a Jurisdiction's Excess Capital Ratio

99.101. The next step is to understand the level of capital the industry is holding above the first intervention level. Therefore, to calculate a jurisdiction's excess capital ratio, one would first need to calculate the amount of the capital ratio carried in excess of the capital ratio required at the first intervention level. This amount would then need to be divided by the capital ratio required at the first intervention level.

*General Excess Capital Ratio Formula*

Average Capital Ratio – Capital Ratio at the First Intervention Level

Capital Ratio at the First Intervention Level

100.102. Based on the formula above and information provided in Step 2 and Step 3, included below are how to calculate each jurisdiction's excess capital ratio.

**NOTE:** The first intervention level in the U.S. is defined in the Relative Ratio Approach as 100% CAL RBC, while the first intervention level in Country A is a capital ratio of 150%.<sup>4</sup>

*Calculation of U.S. Excess Capital Ratio – Life Insurers*

485% (Average Capital Ratio) – 100% (Capital Ratio at the First Intervention Level)

100% (Capital Ratio at the First Intervention Level) = **385%**

*Calculation of Country A Excess Capital Ratio – Life Insurers*

231% (Average Capital Ratio) – 150% (Capital Ratio at the First Intervention Level)

150% (Capital Ratio at the First Intervention Level) = **54%**

<sup>4</sup> 100% CAL RBC translates to an ACL RBC level of 200%, but for conceptual purposes, the Relative Ratio Approach refers to the U.S. first intervention level as 100% CAL RBC, as 100% CAL RBC is the reference point to which the Relative Ratio Approach calibrates other regimes. In other words, 100% CAL RBC ensures that the scaled ratio of Country A results in a ratio that determines how many multiples of first-intervention level capital that the company in Country A is holding.

Step 5: Compare a Jurisdiction's Excess Capital Ratio to the U.S. Excess Capital Ratio to Develop the Scalar

101.103. Based on the information above, the U.S. excess capital is 385%. In other words, life insurers in the U.S. carry approximately 385% more capital than what is needed over the first intervention level. Country A's excess capital ratio is 54%. That is, life insurers in Country A carry approximately 54% more capital than what is needed over the first intervention level.

102.104. To calculate the scalar, one would divide a jurisdiction's excess capital ratio by the U.S. excess capital ratio. Therefore, the calculation of Country A's scalar for life insurers would be  $54\% \div 385\% = 14\%$ . Therefore, Country A's scalar for life insurers would be 14%.

Step 6: Apply to the Scalar to the Non-U.S. Insurer's Amounts in the GCC

103.105. In order to demonstrate how the calculation of the scalar works, it would be best to provide a numerical example. For purposes of this memo, assume that a life insurer in Country A reports required capital of \$341,866 and total available capital of \$1,367,463. (These are the amounts previously used in a hypothetical calculation example that was discussed by the Working Group during its July 20, 2016, conference call.) As noted previously, the above information and calculation suggests that U.S. life insurers carry capital far above the minimum levels, while life insurers in Country A carry capital far closer to the minimum. Therefore, in order to equate the company's \$341,866 of required capital, we must first calibrate the BRC to the first regulatory intervention level by multiplying it by 150%, or Country A's capital ratio at the first intervention level. The resulting amount of \$512,799 is then multiplied by the scalar of 14% to get a scaled minimum required capital of \$71,792.

104.106. Further, the above rationale suggests that the available capital might also be overstated (because it does not use the same level of conservatism in the reserves) by the difference between the calibrated required capital of \$512,799 and the required capital after scaling of \$71,792, or \$441,007. Therefore, we should now deduct the \$441,007 from the total available capital of \$1,367,463 for a new total available capital of \$926,456. These two recalculated figures of required capital of \$71,792 and total available capital of \$926,456 is what would be included in the group's capital calculation for this insurer. These figures are further demonstrated below.

*Calculation of Scaled Amounts for GCC*

Amounts as Reported by the Insurer in Country A

Total available capital = 1,367,463

Minimum required capital (BRC) = 341,866

Calibration of BRC to 1<sup>st</sup> Regulatory Intervention Level

341,866 (BRC) \* 150% = 512,799

Scaling of Calibrated Minimum Required Capital

512,799 (Calibrated BRC) \* 14% (Scalar) = 71,792 (Difference of 441,007)

Scaled Total Available Capital

1,367,463 (Total Available Capital) – 441,007 (Difference in scaled required capital) = 926,456

**105.107.** Given these scaled amounts, one can calculate the numerical effect on the company's relative capital ratio by using the unscaled and scaled amounts included below.

	<i>Unscaled Amounts from Table Above</i>	<i>Scaled Amounts from Table Above</i>
Total Available Capital (TAC)	1,367,463	926,456
Base Required Capital (BRC)	341,866	71,792
Capital Ratio (= TAC ÷ BRC)	400%	1290%

**106.108.** Considering the fact that life insurers in Country A hold much lower levels of capital over the first intervention level as compared to U.S. life insurers, the change in the capital ratio from 400% (unscaled) to 1290% (scaled) appears reasonable and consistent with the level of conservatism that we understand is built into the U.S. life RBC formula driven primarily from the conservative reserve valuation.

**Note:** In the above example, the company has an unscaled ratio (400%) that is above the industry average in Country A (231%) and a scaled ratio (1290%) that is higher than the US life industry average (485%). If the company had unscaled ratio that was lower than the industry average in Country A, its scaled ratio would be lower than the US life industry average. company with an unscaled ratio equal to its own country's industry average will have a scaled ratio equal to the anchor RBC ratio.”

Data for industrywide U.S RBC ratios is sourced from the aggregate RBC Statistics maintained by the NAIC. Data for industrywide capital ratios for foreign insurance jurisdictions was derived from publicly available aggregate industry data-. If this scalar methodology is retained, then the data will require periodic updating.

## Appendix 2 – Stress Scenario

**107.109.** What follows is a proposal for a 30% **standardized** stress to be applied to the GCC to test how the limits on recognition of capital instruments as capital behave under stress. In designing this stress, an emphasis was placed on simplicity. The proposed scenario requires no input or calculation on the part of volunteers beyond that already necessary for completing the GCC template. Further scenarios, if any, could follow this same structure:

- o (1) A scenario that includes one (or more) stresses to a Group's financial position
- o (2) Specification of how each stress impacts the available capital and calculated capital for each type of legal entity
- o (3) Input of the adjusted carrying value and adjusted calculated capital after the impact of the stress(es)
- o (4) Re-calculation of the same calculations (e.g., application of limits on debt and scaling) and summary tables (including sensitivity tests)

### Proposal

**108.110. Scenario:** A **standardized** loss event that results in a proportional reduction in available capital across the Group's entire operations. What follows is a description based on a 10% reduction.

**109.111. Specification:** The scenario should result in 30% reduction (**10% used in the example below**) in the adjusted available capital for all non-holding company entities. For entities where calculated capital is a fixed percentage of available capital (e.g., non-insurance / nonfinancial entities and foreign insurers in jurisdictions without a risk-based capital requirements) and for entities where capital is a fixed percentage of revenue), **30%** reductions in calculated capital are assumed to result as well. As an approximation of the impact of the impact of this scenario on revenue, the calculated capital for financial entities with revenue-based exposure should reduce by **X30%** as well.

**110.112. Inputs:** No direct input needed. Instead, the inputs will be automatically calculated in the new Stress Inputs tab and summarized in the new Stress summary tab as follows:

Type of Entity	Impact on Adj Carrying Value	Impact on Adj Calc Capital
US Insurance Entities	30% reduction	No Impact
Fin (Banking and Other W Cap Req)	30% reduction	No Impact
Fin (Asset Mgmt and Other W/O Req)	30% reduction	10% reduction based on corresponding revenue reduction
Non-US (w/ Risk Based CC)	30% reduction	No Impact on unscaled GCC though XS Relative Ratio factors should be adjusted for sensitivity test
Non-US (non-Risk Based))	30% reduction	10% reduction based on corresponding reduction in equity value
HoldCo	No Impact	No Impact
Other	30% reduction	10% Reduction based on corresponding reduction in equity value

Capital Instruments	No Impact	N/A
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~~Further adjustments to the calculated capital based on scalars used in the Sensitivity analysis and other selected adjustments to calculated capital can also be considered (see Company Input section in the "Stress Inputs" tab).~~ Other potential user driven adjustments may be added to the template using the optional Inputs section in the Stress Inputs tab in columns Y thru AH. Such adjustments will be at the standardized 30% stress level. Any user inputs will automatically be brought into the new Stress Summary tab

**111-113. Outputs:** The GCC template will be configured to automatically calculate outputs and resulting GCC ratios using the inputs above, at ~~various additional~~ the standardized 30% level of stress. ~~(e.g., 20%, 30% etc.)~~ Various additional levels of stress can be tested during the review. All will include the impact on the allowance for qualifying debt. This can be presented on an additive basis (e.g. start with reduction in available capital alone and then add the impact on each entity type's calculated capital one at a time building to the full scenario outlined in the chart, above.

Additional Information:

**112-114.** Although the impact on adjusted carrying value in this scenario is standardized, such generic assumptions cannot be prescribed. Assumptions vary by industry and product mix as the underlying cause and the effect on the adjusted carrying value varies group to group. Therefore, in addition to completing the Stress Input tab each group submitting data may provide its own independent high- level narrative in the space provided in the "Input 6" tab, describing the unique assumptions and corresponding stress levels (% adjustments) in available capital and calculated capital considered appropriate by the group). The assumptions provided in the narrative are NOT required to align with the standardized adjustments reported in the "Stress Inputs" tab.

**113-115.** The narrative should be submitted with the completed template.

Draft: 5/26/21

Group Capital Calculation (E) Working Group  
Virtual Meeting  
May 17, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met May 17, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Carrie Mears (IA); Susan Berry (IL); Roy Eft (IN); John Turchi and Christopher Joyce (MA); Judy Weaver (MI); Barbara Carey (MN); Jackie Obusek (NC); Justin Schrader (NE); Dave Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman and Tim Biler (OH); Melissa Greiner and Kimberly Rankin (PA); Trey Hancock (TN); Jamie Walker (TX); David Smith (VA); and Amy Malm (WI).

1. Adopted Instructions for the GCC Trial Implementation

Mr. Rehagen stated that no additional comments specifically addressing the text of the instructions were during the most recent exposure. He further stated that there were several places where new language was added, but mainly for the addition of a stress scenario to the group capital calculation (GCC) instructions and template. He directed the meeting participants to a copy of the instructions included in the materials, which highlighted only the new language (Attachment Two-B1). He added that new language related to the stress scenario will be covered under agenda item #2, and he asked Lou Felice (NAIC) to go through the few other places where some additional language was added. Mr. Felice described the new language, which was mostly related to how risk-based capital (RBC) for operational risk RBC will be treated in the GCC for U.S. insurers. Ralph Blanchard (Travelers) stated that the Excess Relative Ratio (ERR) scaling sensitivity analysis may overstate the required capital, and more clarity on the source of data used for the data supporting the scalars is needed. Mr. Felice responded that the U.S. RBC data came from the publicly available aggregated RBC statistics, which will include some double counting; and the required data for the foreign jurisdictions subject to scaling was similarly sourced from publicly available aggregated data, which also includes some double counting. Mr. Blanchard stated that the scalars were directionally correct but could be off by several percentage points. Mr. Rehagen asked Mr. Felice to add some additional clarifying language regarding the data sources for the ERR scalars. Tom Finnell (America's Health Insurance Plans—AHIP) noted that AHIP members will have questions during the Trial Implementation, but they have no specific comments at this time.

Ms. Belfi made a motion, seconded by Mr. Eft, to adopt the GCC instructions for the Trial Implementation with the exception of language related to the stress scenario. The motion passed unanimously.

2. Exposed Revised Language for a Proposed Scenario Test in the 2021 GCC Trial Implementation

Mr. Rehagen stated that comment letters were received from AHIP and the American Council of Life Insurers (ACLI) (Attachment Two-B2) related to the proposed stress scenarios. He asked the commenters to present their comments.

Mr. Finnell stated that he is not clear how the company specific assumptions requested in the narrative coordinate with the hypothetical capital adjustments in the stress scenario data calculated in the template. He added that AHIP members were not comfortable providing assumptions for a hypothetical approach.

Mr. Felice stated that he understood that the starting point was a standardized approach—i.e., a template specified percentage adjustment to available and calculated capital—for the stress scenario calculation in the template, but there was a desire to tailor the adjustment to align with the separate narrative with some opportunities for adding adjustments for specific entity types. Ned Tyrrell (NAIC) stated that he understood that the level of stress adjustment was prescribed and some entity specific adjustments could be made by the group to the prescribed stress, but the narrative would be distinct and based on the group's own assumptions as to stress level and drivers. Ms. Belfi stated that her thinking is along the lines of what Mr. Tyrell stated with some potential for tailoring, but she believes that a group could forego the tailoring in the template. She said the narrative is meant to add value for state insurance regulators. Mr. Rehagen agreed. Mariana Gomez-Vock (ACLI) stated that the ACLI is generally aligned with Mr. Finnell's comments, but she questioned whether the purpose of the stress scenario had shifted from the primary goal of identifying the impact of the prescribed stress on the amount of qualifying debt that can be counted as additional capital. Mr. Rehagen stated that the narrative was added, rather than the purpose shifted. Ms. Gomez-Vock said she supports the narrative, but it should be distinct from the prescribed scenario.

Keith Bell (Travelers) stated that some clarity should be added to the instructions to explain how the prescribed approach works in conjunction with the narrative. Mr. Felice explained that as currently drafted, the selected level of stress in the stress scenario calculation can be by the group to align with the narrative, but that is not required. Ms. Belfi said she supports aligning the narrative with a prescribed stress scenario only where the group believes they are aligned, and if not, then the group can use its own assumed stress level in the narrative without changing the standardized stress in the template. She added that all groups should use a standardized level of stress in the template calculation. Mr. Rehagen, Ms. Belfi, Mr. Bell and Mr. Finnell agreed. Mr. Rehagen asked Mr. Felice to make the required changes to the instructions. Mr. Felice stated that the instructions could be revised within a day to achieve that end, but the standardized percentage adjustment would need to be finalized (e.g., 10% or 20%, etc.). He suggested a brief exposure for any additional comments.

Mr. Rehagen asked if there were objections to exposing the revised language in the instructions for the stress scenario until May 25. There were no objections, and NAIC staff were directed to expose the document through the close of business on May 25.

### **3. Exposed Financial Analysis Handbook Guidance for the GCC**

Mr. Rehagen referred to two documents in the materials related to GCC guidance to be included in the *Financial Analysis Handbook*. He stated that early in 2020, the Working Group formed a very small drafting group consisting of a handful of state insurance regulators and industry members, and they were asked to bring to the Working Group draft regulatory guidance of “how the GCC was planned to be used.” He added that the two documents consist of: 1) the actual step-by step procedures; and 2) what is referred to as “the analyst reference guide” that provides more detail on the purpose of each procedure generally and how the procedures are intended to be utilized. He said he would like to expose the documents and send them to the Financial Analysis Solvency Tools (E) Working Group, which will be asked to comment upon it to the Group Capital Calculation (E) Working Group during the same exposure period. He further stated that states could use this during the Trial Implementation, so there should be an extended comment period to coincide with the timing for the Trial Implementation. Mr. Finnell supported the extended period, noting that AHIP participated in the initial drafting of the guidance. Ms. Belfi said she also supports an extended comment period.

Mr. Rehagen asked if there were objections to exposing the documents stress scenario until July 31. There were no objections, and NAIC staff were directed to expose the document through the close of business on July 31.

### **4. Discussed Next Steps Toward the Start of the 2021 GCC Trial Implementation**

Mr. Rehagen outlined the steps to get to the start of the Trial. He stated that the Working Group will finalize the stress scenario issue on its next call. He added that the confidentiality agreement templates will be going out soon, but that should not affect the Trial start date of June 1, since data will not be shred until the submissions are received by the lead states and certainly not before the agreements are in place. He mentioned that a question and answer (Q&A) process will be established and maintained by NAIC staff. He noted that the overall timing for the Trial is to receive the template submissions by July 31 and complete the Trial by Oct. 31.

### **5. Discussed Other Matters**

Mr. Rehagen asked if there is value in a call with volunteers at the beginning of the Trial or after the volunteers have a few weeks with the final Trial template and instructions. John Dubois (Mass Mutual) asked that the call be held before July 1. Mr. Rehagen suggested mid-June. Mr. Bell agreed.

Mr. Rehagen stated that the next Working Group call would be scheduled later this month or in early June.

Having no further business, the Group Capital Calculation (E) Working Group adjourned

W:\National Meetings\2021\Summer\Cmte\E\GCCWG\GCCWG 4-27-21 Meeting Minutes



# **NAIC GROUP CAPITAL CALCULATION INSTRUCTIONS**

**(REVISED May 11, 2021)**

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## I. Background

1. In 2015, the ComFrame Development and Analysis (G) Working Group held discussions regarding developing a group capital calculation (GCC) tool. The discussions revealed that developing a GCC was a natural extension of work state insurance regulators had already begun, in part driven by lessons learned from the 2008 financial crisis which include better understanding the risks to insurance groups and their policyholders. While insurance regulators currently have authorities to obtain information regarding the capital positions of non-insurance affiliates, they do not have a consistent analytical framework for evaluating such information. The GCC is designed to address this shortcoming and will serve as an additional financial metric that will assist regulators in identifying risks that may emanate from a holding company system.
2. More specifically, the GCC and related reporting provides more transparency to insurance regulators regarding the insurance group and make risks more identifiable and more easily quantified. In this regard, the tool assists regulators in holistically understanding the financial condition of non-insurance entities, how capital is distributed across an entire group, and whether and to what degree insurance companies may be supporting the operations of non-insurance entities, potentially adversely impacting the insurance company's financial condition or policyholders. This calculation provides an additional analytical view to regulators so they can begin working with a group to resolve any concerns in a manner that will ensure that policyholders of the insurers in the group will be protected. The GCC is an additional reporting requirement but with important confidentiality protections built into the legal authority. State insurance regulators already have broad authority to take action when an insurer is financially distressed, and the GCC is designed to provide Lead State Regulators with further insights to allow them to reach informed conclusions on the financial condition of the group and the need for further information or discussion.
3. State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system based on currently available information; however, they do not have the benefit of a consolidated statutory accounting system and financial statements to assist them in these efforts. It was noted prior to development that a consistent method of calculating group capital for typical group risks would provide a useful tool for state financial regulators to utilize in their group assessment work. It was also noted that a GCC could serve as a baseline quantitative measure to be used by regulators in to compliment the view of group-specific risks and stresses provided by the Own Risk and Solvency Assessment (ORSA) Summary Report filings and in Form F filings that may not be captured in legal entity filings.
4. During the course of several open meetings and exposure periods, the ComFrame Development and Analysis (G) Working Group considered a discussion draft which included three high-level methodologies for the GCC: a risk-based capital (RBC) aggregation approach; a statutory accounting principles (SAP) consolidated approach; and a generally accepted accounting principles (GAAP) consolidated approach. On Sept. 11, 2015, Working Group members unanimously approved a motion to move forward with developing a recommendation for a GCC and directed an appropriate high-level methodology for the recommendation.

5. At a ComFrame Development and Analysis (G) Working Group meeting held Sept. 24, 2015, pros and cons for each methodology were discussed, and a consensus quickly developed in support of using an RBC aggregation approach if a GCC were to be developed. The Executive (EX) Committee and Plenary ultimately adopted the following charge for the Financial Condition (E) Committee:

***“Construct a U.S. group capital calculation using an RBC aggregation methodology; liaise as necessary with the ComFrame Development and Analysis (G) Working Group on international capital developments and consider group capital developments by the Federal Reserve Board, both of which may help inform the construction of a U.S. group capital calculation.”***

6. The RBC aggregation approach is intended build on existing legal entity capital requirements where they exist rather than developing replacement/additional standards. In selecting this approach, it was recognized as satisfying regulatory needs while at the same time having the advantages of being less burdensome and costly to regulators and industry and respecting other jurisdictions' existing capital regimes. In order to capture the risks associated with the entire group, including the insurance holding company, RBC calculations would need to be developed in those instances where no RBC calculations currently exist.
7. In early 2016, the Financial Condition (E) Committee appointed the Group Capital Calculation (E) Working Group, which began to address its charge and various details of the items suggested by the ComFrame Development and Analysis (G) Working Group. The instructions included herein represent the data, factors, and approaches that the Working Group believed were appropriate for achieving such an objective. The GCC instructions and template are intended to be modified, improved, and maintained by the NAIC in the future as are the *Accounting Practices and Procedures Manual*, the *Annual Statement Instructions* and the *Risk-Based Capital Formula and Instructions*. This includes, but is not limited to, future disclosure of additional items developed or referred by other NAIC committees, task forces and/or working groups.
8. In December 2020, amendments to NAIC Model Law (#440) and Model Regulation (#450) were adopted to provide States with legislative language to fully implement the GCC as an annual filing. The Model specifies what groups are exempted from the GCC filing requirement and the circumstance under which a limited filing may be submitted. For such information reference should be made not to these instructions, rather to the models and, more specifically, to how they are implemented into laws and regulations of a Lead State.

## II. Definitions

9. **Affiliate:** As used in Model #440, an “affiliate” of, or person “affiliated” with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. For purposes of the GCC, affiliates will NOT include those affiliates reported on Schedule A or Schedule BA, EXCEPT in cases where there are insurers or other financial entities reported as or owned indirectly through Schedule A or Schedule BA affiliates. All other Schedule A and Schedule BA investments will remain as investments of a Parent insurer will be reported as Parent of the value and capital calculation of the Parent insurer. A full list of Schedule A and BA entities will be reported as described in the instructions for Input 6 – Questions and Other Information. Any entities that would otherwise qualify as Schedule BA affiliates as described above but are

owned by other entities (e.g., foreign insurers or other type of Parent entity) should be treated in the same way.

10. **Broader Group:** The entire set of legal entities that are controlled by the Ultimate Controlling Person of insurers within a corporate group. When consider the use of this term, all entities included in the Broader Group should be included in Schedule 1 and the Inventory, but only those that are denoted as “included” in the Schedule 1 will be considered in the actual GCC.
11. **Control:** As used in the Model #440, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 4K of Model #440 that control does not exist in fact. The commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.
12. **Cross-Support Mechanism:** A cross-support mechanism is an agreement or transaction that creates a financial interdependence. Depending on the nature of the transaction and the specific circumstances, these mechanisms may pose material risk These may include corporate guarantees, capital maintenance agreements (regulatory or ratings based), letters of credit, intercompany indebtedness, bond repurchase agreements, securities lending or other agreements or transactions that create a financial interdependence or link between entities in the group.
13. **Entity Not Subject to A Regulatory Capital Requirement:** This is a financial entity other than an entity that is subject to a specified regulatory capital requirement
14. **Financial Entity:** A non-insurance entity that engages in or facilitates financial intermediary operations (e.g., accepting deposits, granting of credits, or making loans, managing, or holding investments, etc.). Such entities may or may not be subject to specified regulatory capital requirements of other sectoral supervisory authorities. For purposes of the GCC, entities that are not regulated by an insurance or banking authority [e.g., the U.S. Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA)] will be considered as not subject to a specified regulatory capital requirement.

The primary examples of financial entities are commercial banks, intermediation banks, investment banks, saving banks, credit unions, savings and loan institutions, swap dealers, and the portion of special purpose and collective investment entities (e.g., investment companies, private funds, commodity pools, and mutual funds) that represents the Broader Group’s aggregate ownership in such entities, whether or not any member of the Broader Group is involved in that entity’s management responsibilities (e.g., via investment advisory or broker-dealer duties) for those entities.

For purposes of this definition, a subsidiary of an insurance company whose predominant purpose is to manage or hold investments or act as a broker-dealer for those investments on

behalf of the insurance company and its affiliated insurance (greater than 90% of all such investment subsidiaries' assets under management or held are owned by or for the benefit of these insurance affiliates) should NOT be considered a Financial Entity. In the case where an insurer sets up multiple subsidiaries for this purpose, the 90% may be measured in the aggregate for all such entities. Similarly, in the case of collective investment pools (e.g., private funds, commodity pools, and mutual funds) the 90% may be measured individually, or in the aggregate for each subtype (e.g., private funds, commodity pools, and mutual funds).

In addition, other financial entities without a regulatory capital requirement include those which are predominantly engaged in activities that depending on the nature of the transaction and the specific circumstances, could create financial risks through the offering of products or transactions outside the group such as a mortgage, other credit offering or a derivative.

15. **Insurance Group:** For purposes of the GCC, a group that is comprised of two or more entities of which at least one is an insurer, and which includes all insurers in the Broader Group. Another (non-insurance) entity may exercise significant influence on the insurer(s); i.e., a holding company or a mutual holding company; in other cases, such as mutual insurance companies, the mutual insurer itself may be the Ultimate Controlling Person. The exercise of significant influence is determined based on criteria such as (direct or indirect) participation, influence and/or other contractual obligations; interconnectedness; risk exposure; risk concentration; risk transfer; and/or intragroup agreements, transactions and exposures.

An Insurance Group may include entities that facilitate, finance or service the group's insurance operation, such as holding companies, branches, non-regulated entities, and other regulated financial institutions. An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control, and includes all members of the Broader Group that exercise significant influence on the insurance entities and/or facilitate, finance or service the insurance operations.

An Insurance Group could be headed by:

- An insurance legal entity;
- A holding company; or
- A mutual holding company.

An Insurance Group may be:

- A subset/part of bank-led or securities-led financial conglomerate; or
- A subset of a wider group.

An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control.

16. **Insurance Subgroup/U.S. Operations:** Refers to all U.S. insurers within a Broader Group where the groupwide supervisor is in a non-U.S. jurisdiction. It includes all the directly and indirectly held subsidiaries of those U.S. insurers. For purposes of subgroup reporting, capital instruments, loans, reinsurance, guarantees would only include those that exist within the U.S. insurers. Amounts included for the U.S. insurers shall include all amounts contained within the financial statements of those entities included in the subgroup reporting, whether those amounts are directly attributable or allocated to a company in the subgroup from an affiliate outside of the U.S. insurers and its direct or indirect subsidiaries.

17. **Lead State Regulator:** As defined in the *Financial Analysis Handbook*; i.e., generally considered to be the one state that “takes the lead” with respect to conducting groupwide supervision within the U.S. solvency system.
18. **Limited Group Capital Filing:** Refers to a GCC filing that includes sufficient data or information to complete the “Input 4 Analytics” tab and the “Summary 3 – Analytics” tab of the GCC template. This includes Schedule 1 of the template and may include limited data from other input tabs as deemed necessary for purposes of the analytics.
19. **Material Risk:** Risk emanating from a non-insurance/non-financial entity not owned by an insurer in the Insurance Group or is part of the Broader Group that is of a magnitude that could adversely impact the financial stability of the group as a whole such that the ability of insurers within a group to pay policyholder claims or make other policy related payments (e.g., policy loan requests or annuity distributions) may be impacted.

To determine whether an entity within the Broader Group poses material risks to the Insurance Group, the totality of the facts and circumstances must be considered. The determination of whether risk posed by an entity is material requires analysis of various aspects pertaining to the subject entity. A determination that a non-insurance/non-financial entity does not pose material risk allows the filer to request exclusion of that entity from the calculation of the GCC ratio in the “Inventory” tab. A number of items as listed below should be considered in making such a determination, to the extent they apply.

Caution is necessary, however. The fact that one or more of these items may apply does not necessarily indicate risk to the Insurance Group is, or is not, material. The group should be able to support its determination of material risk if requested by the Lead State Regulator. This should not be used as a checklist or as a scorecard. Rather, the list is intended to illuminate relevant facts and circumstances about a subject entity, the risk it poses, how the Insurance Group might be exposed to that risk and means to mitigate that risk.

#### Primary Considerations:

- Past experience (i.e., the extent to which risk from the entity has impacted the Insurance Group over prior years/cycles).
- The degree to which capital management across the Broader Group has historically relied on funding by the Insurance Group to cover losses of the subject entity.
- The existence of intragroup cross-support mechanisms (as defined below) between the entity and the Insurance Group.
- The means by which risk can be transmitted; i.e., the existence of sufficient capital within the entity itself to absorb losses under stress and/or if adequate capital is designated elsewhere in the Broader Group for that purpose.
- The degree of risk correlation or diversification between the subject entity and the Insurance Group (e.g., where risks of one or more entities outside the Insurance Group are potentially offset (or exacerbated) by risks of other entities) and whether the corporate structure or agreements allow for the benefits of such diversification to protect the Insurance Group.
- The existence and relative strength or effectiveness of structural safeguards that could minimize the transmission of risk to the Insurance Group (e.g., whether the corporate shell can be broken).

Other Considerations (*if primary considerations suggest exclusion may be reasonable, these can be used to further support exclusions*):

- The location of the entity in relation to the Insurance Group within the Broader Group's corporate structure and how direct or indirect the linkage, if any, to the Insurance Group may be.
- The activities of the entity and the degree of losses that the entity could pose to the group under the current economic environment or economic outlook

The guidance above recognizes that there are diverse structures and business models of insurers that make it impracticable to apply a one-size-fits-all checklist that would work for materiality determinations across all groups. Strict or formulaic quantitative measures based on size of the entity or its operations of a non-insurance affiliate are an insufficient proxy for materiality of risk to the insurance operations. The GCC Instructions thus consider the unique circumstances of the relevant entity and group and uses an interactive process whereby the group brings forward its suggestions as to entities that should be excluded from the scope of application for a discussion with the lead state, ultimately culminating in an agreement on the scope of application. The guidance in this section helps to facilitate that process and discussion with criteria for cross-support mechanisms that can potentially transmit material risk, as defined, to the Insurance Group as well as safeguards that can mitigate such risk or its transfer.

20. **Person:** As used in Model #440, a “person” is an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert but shall not include any joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property.
21. **Reciprocal Jurisdiction:** As defined in the *Credit for Reinsurance Model Law* (#785).
22. **Scope of Application:** Refers to the entities that meet the criteria listed herein for inclusion in the GCC ratio. The application of material risk criteria may result in the Scope of Application being the same as, or a subset of, the entities controlled by the Ultimate Controlling Person of the insurer(s).

**NOTE:** U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator, otherwise in as much as they are already included in a reporting legal entity, they are already in the scope of application and there is no need for any additional reporting.

23. **Ultimate Controlling Person:** As used in the *Insurance Holding Company System Regulatory Act* (#440). This is the entity that exercises control directly or indirectly over all entities within the Broader Group.

### III. Determining the Scope of Application

#### A. Groups Exempted from the GCC

24. Refer to changes to Model #440 for guidance on groups that are exempted from filing a GCC. Instead, instructions are provided to ensure Lead State Regulators receive the information necessary to evaluate the Scope of Application.

#### **B. Scope of Application – Legal Entity Inventory**

25. When considering the scope of application, preparers of the GCC must first understand the information to be included in Schedule 1 of the template. When developing an initial inventory of all potential entities, the preparers of the GCC shall complete Schedule 1, which, except in the case of an Insurance Subgroup (as defined in Section II), requests data for all of the entities within the Broader Group that are directly or indirectly owned by the Ultimate Controlling Person (including the Ultimate controlling Person) that are listed in the insurer's most recent Schedule Y or in relevant Holding Company Filings. GCC preparers should provide basic information about each such entity in Schedule 1, including its total assets, and total revenue and net income for this specific year identified. Additionally, the initial filing will require some further information for the prior year (e.g., prior year equity or surplus to policyholders). The primary purpose of the Schedule 1 is to: 1) assist the lead state in making an assessment on the entities within the group that should be included in the Scope of Application; and 2) provide the lead state with valuation information to better understand the group. This valuable information produces various ratios and other financial metrics that will be used in the analysis of the GCC and the group by the lead state for their holding company analysis.
26. To assist the Lead State Regulator in assessing the Scope of Application, the Schedule 1 and the “Inventory” tab of the template will be completed by each preparer to provide information and certain financial data on all the entities in the group. Each preparer will also use the include/exclude column in Schedule 1 to request its own set of entities to be excluded from the calculation after applying criteria for material risk (as defined in Section II). The requests for exclusion will be described by the preparer in the template and evaluated by the Lead State Regulator. A second column will be used by the regulator to reflect entities that the regulator agrees should be excluded.
27. Although all entities must be listed in Schedule 1 and in the “Inventory” tab, the preparer is allowed to group data for certain financial entities not subject to a regulatory capital requirement and certain non-insurance and non-financial entities. Thus, while the Schedule 1 would include the full combined financial results/key financial information (for all entities directly or indirectly owned by the Ultimate Controlling Person, such data may be reported based on major groupings of entities to maximize its usefulness, reduce the number of numeric entries, and allow the Lead State Regulator to better understand the group, its structure, and trends at the sub-group as well as group level. Criteria for grouping are further described in Section V, paragraph 55. Prior to completing the GCC annually, the Insurance Group should determine if the proposed grouping is satisfactory to the lead state or if there are certain non-insurance and non-financial entities (such entities are required to be broken out and reported separately) that should be broken out and reported separately.

#### **C. General Process for Determining the Scope of Application**

28. The starting point for “Scope of Application” (i.e., for purposes of the GCC specifically) is the entire group except in the case of an Insurance Subgroup (as defined in Section II). However, in the case of groups with material diverse non-insurance/non-financial activities isolated from the financial/Insurance Group and without cross-support mechanisms as defined in Section II, the preparer may request a narrower scope starting at the entity that controls all insurance and

financial entities within the group [i.e., comprise a subset of, the entities controlled by the Ultimate Controlling Person of the insurer(s) (Broader Group)]. However, the adjustments as to the Scope of Application suggested by the preparer in consultation and in agreement with the Lead State Regulator should include consideration of guidance in paragraph 31 (“Identify and Include all Financial Entities”) the totality of the facts and circumstances, as described in paragraph 19 (“Definition of material risk”). The rationale and criteria applied in allowing the reduced scope should be documented and made available to non-lead states if requested. The decision on reduced scope should be revisited when changes in the group structure or activities occur.

The fundamental reason for state insurance regulation is to protect American insurance consumers. Therefore, the objective of the GCC is to assess quantitatively the collective risks to, and capital of, the entities within the Scope of Application. This assessment should consider risks that originate within the Insurance Group along with risks that emanate from outside the Insurance Group but within the Broader Group. The overall purpose of this assessment is to better understand the risks that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims consistent with the primary focus of insurance regulators.

#### **D. Guiding Principles and Steps to Determine the Scope of Application**

29. For most groups, the Scope of Application is initially determined by the preparer in a series of steps, listed here and then further explained as necessary in the text that follows:
  - Develop a full inventory of potential entities using the Inventory of the Group template (Schedule 1). This should correspond to Annual Statement Schedule Y, Part 1A
  - Denote in Schedule 1 for each non-financial entity whether it is to be “included in or excluded from” the Scope of Application” using the criteria in the “Identify Risks from the Broader Group” subsection below.
  - All non-financial entities, whether to be included in or excluded from the Scope of Application are to be reported in the “Inventory” tab of the template. Information to be provided for excluded entities will be limited to Schedule 1B and the corresponding columns in the Inventory tab. See paragraph 55 for additional information on treatment of non-insurance/non-financial subsidiaries of U.S. RBC filers or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity.
  - Non-financial entities may qualify for grouping on this Inventory tab as described elsewhere in these instructions.

#### **E. Steps for Determining the Scope of Application**

30. Identify and list all entities in the Insurance Group or Insurance Subgroup (where required).

Include all entities that meet the definition of an affiliate in Section II, above and that fit the criteria identified in the definition of the Insurance Group or Insurance Subgroup (if applicable), in Section II, above except as modified in paragraph 32 (Identify Risks from the Broader Group), below. All insurance entities and entities owned directly or indirectly by the insurance

entities in the group shall be included in the Scope of Application and reported in the Schedule 1 and Inventory of the Group template. Other non-insurance/nonfinancial entities within the Insurance Group may be designated as “exclude” as described in paragraph 30.

31. Identify and include all Financial Entities.

Financial Entities (as defined in Section II) within the Inventory of the Group template shall be included in (i.e., may not be designated as “excluded from”) the Scope of Application, regardless of where they reside within the Broader Group.

As learned from the 2008 financial crisis, U.S. insurers were not materially impacted by their larger group issues; however, materiality of either equity or revenue of an entity might not be an adequate determinant of potential for risk transmission within the group. Furthermore, risks embedded in financial entities are not often mitigated by the activities of the insurers in the group and may amplify their (the insurers’) risks.

Any discretion in evaluating the ultimate risk generated by a defined financial entity that is not subject to a regulatory capital requirement should be applied via review of the material risk definitions/principles included in paragraph 19 to set the level of risk as low, medium or high and **not** to exclude such entities from the calculation. The rationale should be documented, and all data required in Schedule 1 must be provided for the entity for purposes of analysis and trending.

32. Identify Risks from the Broader Group

An Insurance Group or Insurance Subgroup may be a subset of a Broader Group, such as a larger diversified conglomerate with insurance legal entities, financial entities, and non-financial entities. In considering the risks to which the Insurance Group or Insurance subgroup is exposed, it is important to take account of those material risks (as defined in Section II) to the Insurance Group from the Broader Group within which the Insurance Group operates. All non-insurance/non-financial entities included within the Insurance Group or Insurance Subgroup that pose material risk to the insurers in the group should be included within (i.e., may not be designated as “excluded from”) the Scope of the Application. Similarly, all non-financial entities within the Broader Group but outside the Insurance Group that pose material risks to the Insurance Group should be included within (i.e., may not be designated as “excluded from”) the Scope of Application; non-material non-insurance/non-financial entities within the Broader Group or within the Insurance Group (as both terms are defined in Section II) other than those entities owned by entities subject to a specified regulatory capital requirement should be reported as “excluded.” However, no such entities outside an Insurance Subgroup (as defined in Section II) should be included in the GCC. When determining which non-financial entities from the Broader Group to include in the Scope of Application, the preparer must include any entity that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims or provide services to policyholders consistent with the primary focus of insurance regulators.

33. Review of Submission

The Lead State Regulator should review the inventory of entities provided in the Group template to determine if there are entities excluded by the preparer using the criteria above that the Lead State Regulator agrees do not pose material risk (as defined herein) to its insurance operations. Additional information may be requested by the Lead State Regulator to facilitate this analysis. For entities where the Lead State Regulator agrees with the request to exclude, the GCC may exclude the data for such entities. Ultimately, the decision to include or exclude entities from the GCC will occur based on the Lead State Regulator's knowledge of the group and related information or filings available to the Lead State and whether they believe an applicable entity would not adversely impact the entities within the Scope of Application to pay policyholder claims.

The template's sensitivity analysis tab includes a calculation to reflect the impact of excluded entities requested, but not approved for exclusion by the lead state. (see instructions for Input 5 herein).

34. The preparer, together with the Lead State Regulator, would use the above steps, which includes considering the Lead State Regulator's understanding of the group, including inputs such as Form F, ORSA and other information from other involved regulators, to determine the reasonableness of the suggested Scope of Application.

35. Updating the Scope of Application

The Scope of Application could be re-assessed by the preparer and the Lead State Regulator each successive annual filing of the GCC provided there has been substantial changes in corporate structure or other material changes from the previous year's filing. Any updates should be driven by the assessment of material risk and changes in group structure as they impact the exclusion or inclusion of entities within the Scope of Application based on material risk considerations.

#### IV. General Instructions

36. The GCC template consists of a number of tabs (sections) within one workbook. The following provides general instructions on each of these tabs.
37. **Attestation:** This tab is intended to work similar to the annual financial statement and RBC attestations, which are both intended to give the regulator greater comfort that the company has completed in accordance with its (these) instructions. It will also indicate whether the group consists of predominantly life, P/C, or health insurers and whether the submission is a full or limited group capital filing.
38. **Input 1 – Schedule 1:** This tab is intended to provide a full inventory of the group, including the designation by the filer of any non-financial entities to be included in, or excluded from, the Scope of Application and include sufficient data or information on each affiliated entity (see Schedule A and Schedule BA exception as described in paragraph 39) within the group so as to allow for analyzing multiple options for scope, grouping and sensitivity criteria, as well as, allowing the Lead State Regulator to make a determination as to whether the entities to be included in the scope of application or excluded from the scope of application meet the aforementioned criteria. This tab is also used to maximize the value of the calculation by

including various information on the entities in the group that allow the lead state to better understand the group as a whole, the risks of the group, capital allocation, and overall strengths and weaknesses of the group.

39. Except as noted, equity method investments reported in the Section 1B in the Inventory tab that are accounted for based on *Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and Limited Liability Companies* are not required to be de-stacked (separately listed) in Schedule 1; i.e., their value would be included in amounts reported by the Parent insurer within the calculation. The basis for this approach is predicated on the purpose of the entire GCC, which is to produce an expected level of capital and a corresponding level of available capital that are derived by aggregating the amounts reported of capital of the individual entities under the GCC methodology. The available capital for such joint ventures, partnerships and limited liability companies is already considered in Schedule 1 by its inclusion in its Parent's financial statements and can be excluded from an inventory (not separately listed) because the Parent also already receives a corresponding capital charge within its RBC.

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

40. **Input 2 – Inventory:** This tab is intended to be used by the consolidated group to provide information on the value and capital calculation for all the entities in the group before any de-stacking of the entities. While some of this information is designed to “pull” information from Schedule 1, other cells (blue cells) require input from the group. This tab will then apply the adjustments for investment in subsidiary other than where an exception is described in these instructions and adjust for intragroup arrangements. This tab is set up to subtract those adjustments from capital and therefore should be entered as: 1) a positive figure if the adjustment currently has a positive impact on the available capital or the capital calculation; or 2) a negative figure if the adjustment currently has a negative impact on the available capital or the capital calculation. It will also be used to add relevant insurance or other financial entities included as equity investments in Schedule A and Schedule BA and to aggregate the resulting adjusted values for use in the actual GCC.

**NOTE:** For a Limited Group Capital filing, data will be presented in a summarized format in a limited version of the “Inventory” tab in lieu of completing the full “Inventory” tab (see below).

**Limited Group Capital Filing Only: Input 2 – Inventory:** Manually enter data in Inventory B, Column 8 and Inventory C, Column 8 to report a single aggregated value for each entity category in the group. This will require that eliminations and adjustments normally found in a “full” Inventory B, Column 2 through Column 7 and Inventory C, Column 2 through Column 7 to be addressed offline.

41. **Input 3 – Capital Instruments:** This tab is intended to be used to gather necessary information to that will be used to calculate an allowance for additional available capital based on the concept of structural subordination applied to senior or other subordinated debt issued by a holding company that is within the scope of application of the GCC filing. It will also provide information on all debt issued by entities within the scope of application.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

42. **Input 4 – Analytics:** In recognizing a primary purpose of the GCC is to enhance groupwide financial analysis, this tab includes or draws from entity-category-level inputs reported in the tab or elsewhere in the GCC template to be used in GCC analytics. Separate guidance for Lead

State Regulators to reference in analysing the data provided in the GCC template (reference applicable location of the guidance; e.g., *Financial Analysis Handbook*).

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

43. **Input 5 – Sensitivity Analysis and Inputs:** This tab includes inputs and/or describes informational sensitivity analysis for other than XXX/AXXX captives, permitted and prescribed practices, debt designated as “Other,” unscaled foreign insurer values and other designated sensitivity analysis. The inputs are intended to simply be a disclosure, similar to the disclosure required under Note 1 of the statutory financial statements. The analysis will be applied in the “Summary 2” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

44. **Input 6 – Questions and Other Information:** This tab will provide space for participants to describe or explain certain entries in other tabs. Examples include the materiality method applied to exclude entities in Schedule 1 and narrative on adjustments for intragroup debt and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

45. **Calc 1 – Scaling (Ins):** This tab lists countries predetermined by NAIC and provides the necessary factors for scaling available and required capital from non-US insurers to be used in sensitivity analysis to a comparable basis relative to the U.S. RBC figures. It also allows for set scaling options (which vary by insurance segment such as life, P/C, and health).

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

46. **Calc 2 – Scaling (Non-Insurance):** This tab is used to determine calculated capital for non-insurance entities.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

47. **Summary 1 – Entity Category Level:** This tab provides a summary of aggregated available capital and calculated capital for each entity category before the application of capital instruments.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

48. **Summary 2 – Top Level:** This tab calculates various informational GCC ratios resulting from applying “on top” and entity level adjustments to adjusted carrying value and adjusted calculated capital and are described in the “Sensitivity Inputs and Analysis” tab. These “what if” scenario analysis will not be part of the GCC ratio.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

49. **Summary 3 – Analytics:** Provides a summary of various GCC analytics.

**NOTE:** This tab is required for a Limited Group Capital filing.

50. **Summary 4 – Grouping Alternatives:** This tab currently calculates and displays a selected grouping option for organizing the structure of the group consistent with the way that the entities are managed..

NOTE: This tab is NOT required for a Limited Group Capital filing.

51. All cells in the template are color-coded based on the chart below. Inputs should only be made in blue cells. Do not add/delete rows, columns or cells or change the structure of the template in any way. If there appears to be an error in the formulas in the template, contact the NAIC.

The following set of colors is used to identify cells:

**Colors used**

Parameters

Input cells

Data from other worksheets

Local calculations

Results propagated

## V. Detailed Instructions (insert link to template)

### Input 1 – Schedule 1

52. Schedule 1A indicates the version of the template being prepared.
53. More detailed information on each legal entity should be reported in Schedule 1B through Schedule 1D. The order of the entries in Schedule 1 should match that in the “Inventory” tab. The first entity listed should be the ultimate controlling party.
54. U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator. They should be reported under the appropriate entity category in [Sch 1B Col 6].
55. Entries are required for every entity within the scope of the group. However, while recognizing that Lead State Regulator retain the discretion to ask for greater detail, the following simplifications may be applied as long as information for every entity is listed in Schedule 1B:
- A single numerical entry for like Financial Entities would be allowed at the intermediate holding company level, assuming that the like entities are owned by a common Parent that does not own other entity types, all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. The entity at which the total data is provided must be assigned an “Entity Category” in Schedule 1 that corresponds to the instructed carrying value and capital calculation for which the entry is made (e.g., an entity that would otherwise be categorized as a non-operating holding company but holds asset managers would be categorized as an asset manager). Entries

for the remaining individual entities in the grouping will be reported in Schedule 1B only as “included.”

- In addition, a single numerical entry would be allowed for all included non-insurance/non-financial entities at the intermediate holding company level assuming that the intermediate holding company owns only non-insurance/non-financial entities (i.e., does not own other entity types), all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. This would include any positive residual value of the holding company itself. Entries for all individual entities in the grouping will be reported in Schedule 1B only as “included.”, but no stand-alone values for each entity would be required.
- Values for, non-insurance/non-financial subsidiaries of U.S. RBC filers or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity may remain with their Parent insurers and will not be de-stacked. Entries for these individual entities in the grouping will be reported individually in Schedule 1B Columns 1 and 2 only as “included.” along with other required entries in Schedule 1B, but no stand-alone values for each entity would be required in Schedules 1C or 1D.
- Mutual Insurance Groups may use the Total Adjusted Capital and amount of required capital from the top-level Insurer’s RBC Report at 200% x ACL RBC further adjusted to de-stack foreign insurers and other financial entities owned directly or indirectly (on a look-through basis) via RBC filing subsidiaries. Such foreign insurance subsidiaries or other financial subsidiaries shall be reported at the carrying values and capital calculations as described later herein.
- Data for U.S. Branches of Foreign insurers may be omitted from Schedule 1 if they are otherwise included in the entries, values, and capital requirements of a foreign insurer.

**NOTE:** These simplifications will be treated in a similar manner in Input 2 – Inventory.

56. Any financial entity owned by a Parent insurer and listed in Schedule A or Schedule BA, and any insurance or financial entity that is owned indirectly through a Schedule BA affiliate should be listed in Schedule 1 and in the Inventory and assigned the appropriated identifying information. (See also the instructions for Part B of the Inventory). These entities will be de-stacked from the values for the Parent insurer. The same treatment for these entities will be afforded when they owned by a foreign insurer or other non-insurance entities.
57. Schedule 1B contains descriptions of each entity. Make selections from drop-down menu where available.[TF1][FL2]
  - **[Sch 1B Col 1] Include/Exclude (Company)** – This column is to select entities where a request is made for exclusion. The filer will indicate which non-insurance/non-financial entities not owned directly or indirectly by an insurer that should be excluded from the GCC as not posing material risk to the group. The filer’s definition of material risk will be reported in the “Other Information” tab.
  - **[Sch 1B Col 2] Include/Exclude (Supervisor)** – Column to be filled in by supervisor. These are entities where the Supervisor agrees with the filer’s assessment of material risk

and these entities will be excluded from the GCC and may be included in a sensitivity analysis later in the template.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

- **[Sch 1B Col 3] Include/Exclude (Selected)** – Formula to determine treatment of data for later sensitivity analysis. If supervisor has made a determination of include/exclude in the prior column, that will be used. If not, company's selection will be used.
- **[Sch 1B Col 4] Entity Grouping** – Column denotes whether this is an insurance or non-insurance/non-financial entity and is also automatically populated based on the entry in Column 8.
- **[Sch 1B Col 5] Entity Identifier** – Provide a unique string for each entity. This will be used as a cross-reference to other parts of the template. If possible, use a standardized entity code such as NAIC Company Code (CoCode) or Insurance Services Office (ISO) Legal Entity Identifier. CoCodes should be entered as text and not number (e.g., if CoCode is 01234, then the entry should be "01234" and not "1234"). If there is a different code that is more appropriate (such as a code used for internal purposes), please use that instead. If no code is available, then input a unique string or number in each row in whatever manner is convenient (e.g., A, B, C, D, ... or 1, 2, 3, 4...). Do not leave blank.
- **[Sch 1B Col 6] Entity Identifier Type** – Enter the type of code that was entered in the "Entity Identifier" column. Choices include "NAIC Company Code," "ISO Legal Entity Identifier," "Volunteer Defined" and "Other."
- **[Sch 1B Col 7] Entity Name** – Provide the name of the legal entity.
- **[Sch 1B Col 8] Entity Category** – Select the entity category that applies to the entity from the following choices (all U.S. life captives shall select the option for "RBC Filing Captive," complete the calculation using the life RBC formula in accordance with instructions below regarding "Additional clarification on capital requirements where a U.S. formula (RBC) is not required," regardless of whether the company is required by their captive state to complete the RBC formula. Insurers or financial entities that are de-stacked from an insurer's Schedule A or Schedule BA should be assigned the corresponding insurer or financial entity category:

<b>RBC Filing U.S. Insurer (Life)</b>	<b>UK Solvency II – Life</b>	<b>Colombia</b>
<b>RBC Filing U.S. Insurer (P/C)</b>	<b>UK Solvency II – Composite</b>	<b>Indonesia</b>
<b>RBC Filing U.S. Insurer (Health)</b>	<b>Australia – All</b>	<b>Thailand</b>
<b>RBC Filing U.S. Insurer (Other)</b>	<b>Switzerland – Life</b>	<b>Barbados</b>
<b>U.S. Mortgage Guaranty Insurers</b>	<b>Switzerland – Non-Life</b>	<b>Regime A (Participant Defined)</b>
<b>U.S. Title Insurers</b>	<b>Hong Kong – Life</b>	<b>Regime B (Participant Defined)</b>
<b>Other Non-RBC Filing U.S. Insurers</b>	<b>Hong Kong – Non-Life</b>	<b>Regime C (Participant Defined)</b>
<b>RBC filing (U.S. Captive)</b>	<b>Singapore – All</b>	<b>Regime D (Participant Defined)</b>
<b>Canada – Life</b>	<b>Chinese Taipei – All</b>	<b>Regime E (Participant Defined)</b>
<b>Canadian – P/C</b>	<b>South Africa – Life</b>	<b>Bank (Basel III)</b>
<b>Bermuda – Other</b>	<b>South Africa – Composite</b>	<b>Bank (Other)</b>
<b>Bermuda – Commercial Insurers</b>	<b>South Africa – Non-Life</b>	<b>Financial Entity with a Regulatory Capital Requirement</b>
<b>Japan – Life</b>	<b>Mexico</b>	<b>Asset Manager/Registered Investment Advisor – High Risk</b>
<b>Japan – Non-Life</b>	<b>China</b>	<b>Asset Manager/Registered Investment Advisor – Medium Risk</b>
<b>Japan – Health*</b>	<b>South Korea</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – High Risk</b>
<b>Solvency II – Life</b>	<b>Malaysia</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Medium Risk</b>
<b>Solvency II – Composite</b>	<b>Chile</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Low Risk</b>
<b>Solvency II – Non-Life</b>	<b>India</b>	<b>Other Non-Ins/Non-Fin with Material Risk</b>
<b>Solvency II – Non-Life</b>	<b>Brazil</b>	<b>Other Non-Ins/Non-Fin without Material Risk</b>
<b>UK Solvency II – Non-Life</b>	<b>Argentina</b>	<b>Non-Operating Holding Co.</b>

\* If the GCC group's Japanese insurer health business (referred to as "Third Sector") is greater than 60% of total life business (referred to as "First Sector") and health business combined, as reflected by annualized premium for the year reported, then that group may elect to use the Japan health scalar set rather than the life scalar set.

**NOTE:** All U.S. captives are required to complete the applicable RBC formula template. In addition, any insurer, other than U.S. captive, that submits an RBC filing to either the state of domicile or the NAIC will be considered an RBC filer.

- **[Sch 1B Col 9] Alternative Grouping** – This is an optional input field. This field should be used if you wish to show similar entities aggregated into a single line in Summary 4-Alternative Grouping.Exhibit. For example, if you have a dozen small dental HMO businesses, you may wish to show them as a single line called “Dental HMOs,” as opposed to listing each entity separately. This is a level of granularity below “Entity Category” but above individual entities. No entity should be put in the same “Alternative Grouping” as its Parent. It is acceptable to put only one entity in a grouping. If any entries are left blank then, in Column 17, the “Entity Name” will be selected as the grouping. This will not impact the order of the entities for which data is entered in Schedule 1 or the “Inventory” tab.
- **[Sch 1B Col 10] Parent Identifier** – Provide the Entity Identifier of the immediate Parent legal entity for each entity, as applicable. If there are multiple Parents, select the Parent entity with the largest ownership percentage. Only include one entry. For the top holding company, enter “N/A.”
- **[Sch 1B Col 11] Parent Name** – This will be populated by a formula, so input is not required.
- **[Sch 1B Col 12] % Owned by Parent** – Enter the percentage of the entity that is owned by the Parent identified earlier in the worksheet. Percentages of ownership should be based on the percentage of voting class securities (unless ownership is maintained other than by control of voting securities) consistent with what is reported pursuant to state holding company regulation filings (Form B or equivalent).
- **[Sch 1B Col 13] % Owned within Group Structure** – Enter the percentage of the entity that is owned in the aggregate by any affiliate within the Group.
- **[Sch 1B Col 14] State/Country of Domicile** – Enter state of domicile for U.S. insurance entities and country of domicile for all other entities. (Use references that are consistent with those use on Schedule Y, where available.)
- **[Sch 1B Col 15] Zero Valued and Not Admitted Entities – Report for U.S. Insurers Only.** Select the treatment of the entity from following options: “Zero Valued for RBC” or “Nonadmitted for Accounting and RBC (Direct or Indirect).”

Zero Valued for RBC are affiliated insurance and financial entities that are otherwise reported in the RBC filer’s annual financial statement at their accounting value (i.e., per SAP) but are reported at zero value and zero capital requirements for RBC purposes. Examples include non-Canadian foreign insurers directly owned by U.S. life RBC filers. The carrying value and capital calculation specified in these instructions for the specific insurance or financial entity type should be reported in Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column.

Nonadmitted for Accounting and RBC (Direct or Indirect) are insurance or other financial affiliates that owned directly indirectly by an RBC filer via a downstream non-financial entity or holding companies that are reported at zero value per SAP and are also reported

at zero value and zero capital requirements for RBC purposes. Examples include U.S. insurers indirectly owned by a U.S. RBC filer through a nonadmitted holding company that has not been subject to an independent audit. The carrying values and capital calculations specified herein associated with the specific insurance or financial indirectly owned entity type should be reported Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column. The excess value in the nonadmitted Parent entity may be reported at zero value.

No entry is required in this column for any nonadmitted directly or indirectly owned non-insurance/non-financial subsidiary. Report zero for these affiliates in Column 2 of Inventory B and Inventory C.

- **[Sch 1B Col 16] Is Affiliate on Schedule A or Schedule BA an Insurer or Other Financial Entity?** – Column is meant to identify an entity with an insurer or financial entity identifier in Column 8 that is reported on Schedule A or Schedule BA but is being de-stacked and also reported on the Inventory tab. Provide a “Y” response where that is applicable. Otherwise leave blank.
- **[Sch 1B Col 17] Selected Alternative Grouping** – This will be populated by a formula, so input is not required. If there are any blank entries in Column 9 (Alternative Grouping), this column will set them equal to the name of the entity.

58. Schedule 1C contains financials for each entity:

- **[Sch 1C Col 1] Basis of Accounting** – Enter basis of accounting used for the entity’s financial reporting.
- **[Sch 1C Col 2 and Col 3] Gross and Net Written Premium** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (life, P/C, and health). Use equivalent local source for non-U.S. insurers or company records when available.
- **[Sch 1C Col 4] Reinsurance Assumed from Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 1 and life and health Schedule S, Part 1, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available.<sup>[FL3]</sup>
- **[Sch 1C Col 5] Reinsurance Ceded to Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 3 and life and health Schedule S, Part 3, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available.<sup>[FL4]</sup>
- **[Sch 1C Col 6] Book Assets** – This should be valued based on the applicable basis of accounting reported under the entity’s local regime and represents the total assets as reported in the basic financial statements before eliminations (because that is presumed to be less burdensome on the insurance holding company). Other financial data should

similarly be prepared using financial data before eliminations. However, insurance holding companies are allowed to present such figures after eliminations if they do so for all figures and consistently for all years.

- [Sch 1C Col 7] **Book Liabilities** – This should be valued based on the applicable basis of accounting reported under the entity's local regime and represents the total liabilities as reported in the basic financial statements.
  - [Sch 1C Col 8] **Gross Paid-in and contributed Capital and Surplus (U.S. Insurers Only)** – For U.S. insurers, report the current year end amounts from annual financial statement Page 3 as follows:
    - a. Life Insurers: lines 29, 30 and 33.
    - b. P/C Insurers: lines 30, 31 and 34.
    - c. Health Insurers: lines 26, 27 and 28. [FL5]
59. Generally, Schedule 1D will include entries from regulatory filings or entity specific GAAP financial statements as of the reporting date. The amounts reported should be the entity value on a stand-alone (fully de-stacked) or grouped basis (where applicable). This may require use of company records in certain cases. The amounts should be reported at 100% for the entity listed. Any required adjustments for percentage of ownership will be applied later, if necessary, to calculate a capital charge.
- [Sch 1D Col 1] **Prior Year Entity Identifier** – Report the Legal Entity Identifier, NAIC company code or other identifier used for the entity in the prior year GCC filing for the prior calendar year.
  - [Sch 1D Col 2] **Prior Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone balance sheet. This will generally be the same as what is reported in the current year column in the prior year GCC filing. Where grouping is permitted, the balance reported may be on a grouped basis.
  - [Sch 1D Col 3] **Net Income** – The final reported income figure from the income statement, and therefore is the figure reported after interest, taxes, extraordinary items, etc. For entities with accounting and reporting requirements that specify that dividends paid or received will be part of "net income," report the dividends received in this column. Report dividends to policyholders here as a reduction to net income if required by local accounting or reporting requirements.
  - [Sch 1D Col 4] **Dividends Paid and Received (Net)** – All entity types report the net amount of dividends paid and received in reporting year to/from and affiliate, a Parent shareholder, public shareholders, or policyholders (if not required to be a reduction/increase in net income by local accounting or reporting requirements). All entity types that are subject to accounting and reporting requirements that specify that dividends paid or received will be reported as a surplus adjustment, will report dividends received in reporting year from affiliates in this column.

- **[Sch 1D Col 5] Capital and Surplus Contributions Received from Affiliates** – All entity types. Report sum of capital contribution (other than via surplus notes) during the reporting year received from any affiliated entity.
- **[Sch 1D Col 6] All Other Changes in Capital and Surplus** – Include total for all adjustments not listed above. This would include any investment income not already reported in Column 3 or Column 5. Also, report all stock repurchases or redemptions in this column.

**NOTE:** Greater detail may be made available upon request.

- **[Sch 1D Col 7] Current Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone Balance Sheet for the current year. This will generally be the same as what is reported for the entity in the Inventory B, Column 2. Where grouping is permitted, the balance reported may be on a grouped basis.
- **[Sch 1D Col 8] Capital and Surplus Contributions Paid to Affiliates** – All entity types report the total of capital contributions (other than via surplus notes) during the reporting year paid to any affiliated entity.
- **[Sch 1D Col 9] Dividends Declared and Unpaid** – For all applicable entities report the amount of dividends declared or approved but not yet distributed.
- **[Sch 1D Col 10] Dividends Received and Not Retained** – All holding companies, insurers and financial entities with regulatory capital requirements indicate by “Y” or “N” if part or all of dividends received reported in Column 5 have been paid (passed through) to a Parent company, to public shareholders, or used to repurchase or redeem shares of stock.

## Input 2 – Inventory

60. Columns in Inventory A are being pulled from Schedule 1:

- [Column 1] Insurance/Non-Insurance
- [Column 2] Entity Identifier
- [Column 3] Entity Identifier Type
- [Column 4] Entity Name
- [Column 5] Entity Category
- [Column 6] Parent Identifier
- [Column 7] Parent Name
- [Column 8] Basis of Accounting

### Columns Requiring Input

61. Enter information on adjustments to carrying value. Considerations specific to different types of entities are located at the end of this subsection.

- **[Inv B Col 1] Carrying Value (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. In general, carrying values utilized should represent: 1) the subsidiary valuation required by the insurance or other sectoral regulator if the Parent is a regulated entity; or 2) in the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then a subsidiary valuation based U.S. GAAP or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements. No entry is required for the Ultimate Controlling Person (UCP)

The value in this column will include a zero value for entities not admitted per SAP or other jurisdictional regulatory rules. A single entry for all entities that qualify under the grouping criteria described in Input 1, herein may be made in lieu of individual entries on the line for the affiliate that holds the qualifying entities. This column will include double-counting.

The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group.

- **[Inv B Col 2] Carrying Value (Local Regime)** – Record the carrying value recognized by the legal entity's jurisdictional insurance or other sectoral supervisor. This will include the value of capital instruments (e.g., U.S. insurer issued surplus notes) that are specifically recognized by statute, regulation or accounting rule and included in the carrying value of the entity. In the case where the entity is not subject to insurance or other sectoral regulatory valuation, then U.S. GAAP equity (including OCI) or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements. If an agreed-upon change in local carrying value should become effective by 2021, Volunteer Groups are expected to report on that basis. If the group is comprised entirely of U.S.-based entities under a U.S.-based Parent company, the entries in this column will be the same as in Column 1 except in cases where the Parent owns not admitted (or otherwise zero valued financial affiliates that

would be reported as not admitted in the Parent Regime column but fully admitted (per SAP valuation) in the Local Regime column). (See instructions for **[Sch 1B Col 15]**.) However, if such an entity has been listed in the **[Sch 1B Col 2] Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then a value will be reported here, but the ultimate calculation will show the results without the excluded entity's value. The carrying value for affiliates that are U.S. RBC filers will be the amount reported TAC on entity's RBC report. This column will include double-counting. The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group. The entry here should generally be the same as the value reported in Inventory B, Column 1, except where TAC for RBC filers differs from their BACV. A single entry for all entities that qualify under the grouping criteria described exceptions described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries.

A sensitivity analysis is included to calculate the impact of excluded entities requested but not approved for exclusion by the lead state.

INVENTORY B – Accounting Valuation to be Used				
Parent Entity	Entity	Inv B, Column 1	Inv B, Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
U.S. RBC filer	Other U.S. Insurer	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	BACV Per Statutory Accounting	Per Local Regulatory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Financial w/o Capital Reqmt	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Non-Financial	BACV Per Statutory Accounting	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
Other U.S. Insurer	Any Other Entity Type	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Regulatory Accounting	RBC TAC	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Regulatory Accounting	BACV Per Statutory Accounting	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Regulatory Accounting	<u>Per Local Regulatory Accounting</u>	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Regulatory Accounting	Per risk level factor x 3-year avg revenue	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Regulatory Accounting	No entry Required	No entry Required – Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Per Local Public Accounting	RBC TAC	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Per Local Public Accounting	BACV Per Statutory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Public Accounting	Per Local Regulatory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Per Local Public Accounting*	Per Local Regulatory Accounting*	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Per Local Public Accounting*	Per Local Public Accounting*	Per Local Public Accounting

\*Subject to Grouping

In cases where a U.S. life RBC filer owns a foreign insurer and the BACV value reported for the foreign insurer in the Parent U.S. insurers financial statement is adjusted to zero for RBC purposes, then report zero in Inventory B, Column 1 and Column 3 for that foreign insurance entity.

- **[Inv B Col 3] Investment in Subsidiary** – Enter an adjustment to remove the investment carrying value of any directly owned subsidiary(ies) from Parent’s carrying value. This is intended to prevent double-counting of available capital when regulated entities are stacked. The carrying value to be removed should be the investment value carried by the Parent from which the entity is being de-stacked (i.e., the value in Column 1 in Inventory B adjusted for ownership percentage). Thus, there will be no adjustment to the Parent’s value in this column for entities that are reported at zero value by the Parent. Where entities are owned partially by entities outside of the group, then the Parent’s percentage of ownership will be calculated based on the value owned within the group.

Generally, for all non-financial affiliates, Schedule A and Schedule BA assets will remain in the value of the Parent insurer and not entered in this column. However, if the Schedule A or Schedule BA asset is an insurance or financial entity as described herein, the value of that entity will be included in this column. For indirectly owned Schedule A or Schedule BA insurance or financial entities, only the value of that entity will be included in this column and the remaining value of the downstream Schedule BA Parent will remain with the Parent insurer. Similarly, the carrying value of U.S. branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the value of the foreign insurer so that the Parent entity may eliminate double-counting of that available capital which will now be reported by the stand-alone Branch listed in the inventory.

**NOTE:** The “Sum of Subsidiaries” column may provide a useful check against this entry, but it will not necessarily be equal.

When utilizing public accounting (e.g., GAAP) equity values that differ from regulatory values (e.g., SAP), it is **the GAAP equity** of the insurers must be eliminated from the GAAP Parent in this column, not the SAP (regulated capital). This is necessary in order to allow the calculation to appropriately represent SAP capital of regulated entities and GAAP equity of non-regulated entities. Data on the accounting differences between Parent and Local carrying values will be collected in **[Inventory B, Column 9]** and further detail provided in the “Questions and Other Information” tab.

**NOTE:** Values for Schedule A and Schedule BA affiliates that are required to be reported in the “Inventory” tab will be adjusted out of the value reported by the U.S. insurer in this column.

**[Inv B Col 4] Intragroup Capital Instruments** – This column is automatically calculated from inputs to the “Capital Instruments” tab. It reflects an adjustment to remove carrying value for intragroup financial instruments that that are treated as capital by the issuer and consequently create additional capital within the group upon issuance (most notably U.S. surplus notes). Example for surplus notes: In both intragroup and unaffiliated transactions, treat the assets transferred to the issuer of the surplus note as available capital. If the purchaser is an affiliate, eliminate the investment value from the affiliated purchaser of the surplus note in this column. If the purchaser is an insurer or other regulated entity, eliminate the purchaser’s capital charge (e.g., RBC charge) on the

surplus note investment in the corresponding adjustment column for the capital calculation. No adjustments are made for any intragroup capital instrument that is treated as a liability by the issuer.

- **[Inv B Col 5] Reported Intragroup Guarantees, LOCs and Other** – Enter an adjustment to reflect the notional value weighted for expected utilization for reported intragroup guarantees (including solvency insurance and capital maintenance agreements). Enter the notional value for letters of credit, or other intragroup financial support mechanisms. Explain each intragroup arrangement in the “Questions and Other Information” tab.
- **[Inv B Col 6] Other Intragroup Assets** – Enter the amounts to adjust for and to remove double-counting of carrying value for other intragroup assets, which could include intercompany balances, such as (provide an explanation of each entry in the “Questions and Other Information” tab):
  - a. Loans, receivables and arrangements to centralize the management of assets or cash;
  - b. Derivative transactions;
  - c. Purchase, sale or lease of assets; and
  - d. Other (describe).
- **[Inv B Col 7] All Other Adjustments** – Include a brief explanation in the “Description of ‘Other Adjustments’” in the “Other Information” tab.
- **[Inv B Col 8] Adjusted Carrying Value** – Stand-alone value of each entity per the calculation to eliminate double-counting. This value includes permitted and prescribed practices.
- **[Inv B Col 9] Accounting Adjustments (e.g., GAAP to SAP)** – Report the total difference between the carrying value reported in Column 1 (and Column 3) and the value reported in Column 2. This column will apply to regulated entities where the stand-alone carrying value is based on regulatory accounting (e.g., SAP) while the value reported for that entity by the Parent is carried at a financial accounting (e.g., GAAP) value. Further detail is reported in the “Questions and Other Information” tab.
- **[Inv B Col 10] Gross Revenue 2<sup>nd</sup> Prior Year (Financial Entities without Regulatory Capital Requirements and Non-financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 11] Gross Revenue Prior Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 12] Gross Revenue Current Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 13] Average Revenue over 3-years (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – This column is populated from data in Column 10, Column 11 and Column 12.

This column will support the capital calculation for asset managers, broker-dealers and other Financial Entities without Regulatory Capital Requirements.

62. “Adjusted Capital Calculation” is reported in a similar manner to the “Adjusted Carrying Value” above. The columns are in the same order, although it is likely that fewer entries will be needed for Column 4 through Column 7. Further guidance is below.

- **[Inv C Col 1] Entity Required Capital (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. No entry is required for the Ultimate Controlling Person. In general, entity required capital should represent the capital requirements of the Parent’s insurance or other sectoral regulator:
  - a. For subsidiaries of foreign insurers or other non-U.S. financial entities, the unscaled capital required by the Parent’s regulator of the regulated entity based on the equivalent of a Prescribed Capital Requirement (PCR) level.
  - b. For subsidiaries, including applicable Schedule A and Schedule BA subsidiaries, of U.S. insurance entities that are subject to RBC, except where the subsidiary is also an RBC filer, the entry should be equivalent of what would be required in the Parent’s RBC, adjusted for covariance where applicable (calculated by the preparer) reported at company action level (or two times authorized control level RBC) for that entity. Where the subsidiary is also an RBC filer, then the amount reported will be at company action level RBC (or two times authorized control level RBC) after covariance.
  - c. For subsidiaries of U.S. insurers that do not file RBC, report the actual amount of capital required in the Parent’s capital requirement (if any) for the subsidiary entity.
  - d. In the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then use zero where applicable. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the specified capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group. A single entry for all entities that qualify under the grouping criteria described in Section V, herein may be made on the line for the affiliate that holds the qualifying entities in lieu of individual entries.
- **[Inv C Col 2] Entity Required Capital (Local Regime)** – Enter required capital for each de-stacked entity, as applicable entity description below. For U.S. RBC filing subsidiaries under a U.S. RBC filing Parent the amounts will be the same in both the Parent and Local Regime columns, except where the RBC filing subsidiary is subject to an operational risk charge. In such cases the amount reported in this column for the subsidiary will include the operational risk charge while the amount reported in Column 1 will exclude the subsidiary’s operational risk charge. However, for some entity types this will result in entries for the entities under a U.S.-based insurance Parent to be different from what U.S. RBC would dictate. In addition, where a U.S. insurer directly or indirectly owns non-admitted (or otherwise zero valued) financial affiliates, those affiliates would be reported with zero value in the Parent Regime column but at the specified regulatory value described below for that financial entity type in this column. However, if such an

entity has been listed in [Sch1B Col 2] **Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then report the capital calculation in accordance with entity instructions below, but the ultimate calculation will show the results without the excluded entity's capital calculation. Directly or indirectly owned non-financial entities that were not admitted or otherwise carried at a zero value in the Parent Regime, may be carried at zero value in this column. A single entry for all entities that qualify under the grouping criteria described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group.

63. Additional clarification on capital requirements where a formula is required:

- **U.S. RBC filing Insurers:** Report RBC at Company Action Level including excluding~~plus~~ operational risk (200% x ACL)
- **Foreign Insurance Entities:** The local capital requirement as specified below for each jurisdiction should be reported, by legal entity, at a Prescribed Capital Requirement (PCR) level. This treatment is different than what U.S. RBC would require and recognizes other regulators view of adequate capital for insurers within another jurisdiction. It is more reflective of risk within the group context. A sensitivity analysis will be included in the "Sensitivity Analysis" tab using the jurisdictional PCR scaled per the Excess Relative Ratio method (see Appendix 1) for insurers in foreign jurisdictions that are subject to scaling.
- **European Union subsidiaries:** Use the Solvency II Solo Solvency Capital Requirement (SCR) as the PCR.
- **U.S. RBC filing subsidiaries:** The RBC Company Action Level including operational risk of each insurer should be reported.
- **Australia subsidiaries:** The PCR is the target capital as set by the insurer/group in accordance with APRA requirements. Effectively, this would be "Target capital under ICAAP." PCR is not a set multiple of MCR.
- **Bermuda subsidiaries:** The Legal Entity PCR in Bermuda for medium and large commercial insurers is called the "Enhanced Capital Requirement" (ECR) and is calibrated to Tail VaR at 99% confidence level over a one-year time horizon.
- **Hong Kong subsidiaries:** Under the current rule-based capital regime, if applied similar to the concept of PCR, the regime's PCR would be 150% of MCR for life insurers and 200% of MCR for non-life insurers.
- **Japan subsidiaries:** The PCR is the solvency margin ratio of 200%.
- **Korea subsidiaries:** The PCR is 100% of risk-based solvency margin ratio.

- **Singapore subsidiaries:** The PCR is 120% of total risk requirement (i.e., capital requirement).
  - **China Taipei subsidiaries:** The PCR is 200% of RBC ratio.
  - **Canada life entities:** The baseline PCR should be stated to be “100% of the LICAT Base Solvency Buffer.” The carrying value should include surplus allowances and eligible deposits.
  - **Canada P/C entities:** The PCR should be the MCT capital requirement at the target level.
  - **South Africa subsidiaries:** The PCR is 100% of the SAM SCR.
  - For any entities that cannot be mapped to the above categories, scaling will be at 100%
64. Additional clarification on capital requirements where a U.S. formula (RBC) is not required:
- For those U.S. insurers that do not have an RBC formula, the minimum capital per state law should be used as the basis for what is used for that insurer in the GCC. This may differ from what U.S. RBC would require. It is more reflective of the regulatory view of risk in the group context. The following requirements should be used in other specified situations where an RBC does not exist:
  - **Mortgage Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC’s requirements set forth in the *Mortgage Guaranty Insurance Model Act* (#630).
  - **Financial Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC’s requirements set forth in the *Financial Guaranty Insurance Guideline* (#1626), specifically considering Section 2B (minimum capital requirements) and Section 3 (Contingency, Loss and Unearned Premium Reserves) and the other requirements of that guideline that impact capital (e.g., specific limits).
  - **Title Companies:** The minimum capital requirement shall represent 200% of the required level of reserves carried by the insurance company.
  - **Other Companies:** A selected basis for minimum capital requirements derived from a review of state laws. Where there is a one-off treatment of a certain type of insurer that otherwise would file RBC (e.g., HMOs domiciled in California), the minimum capital required by their respective regulator could be considered in lieu of requiring the entity to complete an RBC blank.
  - **Captives:** U.S. insurers that have captives should complete the applicable RBC formula regardless of whether the captive is required to complete it in their captive state. The amounts input into RBC by the captive shall be based on the actual assets and liabilities utilized in the regulatory reporting used by the captive. Captives used exclusively for self-insurance (either by U.S. life insurers or any other type of insurer) or insurance provided exclusively to its own employees and/or its affiliates, should not complete an RBC calculation and the entire entity should be treated as non-insurers and receive the same charge as a non-regulated entity.
65. Non-insurance financial entities subject to a specified regulatory capital requirement:

- All banks and other depository institutions – The unscaled minimum required by their regulator. For U.S. banks, that is the Office of the Comptroller of the Currency (OCC) Tier 1 or other applicable capital requirement. This is understood to be consistent with how the Federal Reserve Board would apply its Building Block Approach.
  - Any other financial entity that is determined to be subject to a specified regulatory capital requirement will bring that requirement in the GCC at the first level of regulator intervention (if applicable).
  - This differs from what U.S. RBC would require. It recognizes the sectoral regulator's view of risk for a particular financial entity type. It is more reflective of risk in the group context.
66. Non-insurance financial entities NOT subject to a specified regulatory capital requirement:
- All asset managers and registered investment advisors and all other financial entities as defined in Section II: Use the capital calculation specified below based the level of risk assigned to the entity by applying the material risk principles defined in Section II. However, asset managers and investment affiliates (not qualifying to be treated as non-financial entities per paragraph 9) will be reported at either medium or high risk. In certain cases, these entities may be subject to a layer of regulation (e.g., SEC or FINRA) but are not generally subject to a specified capital requirement.
- High Risk:  $10\% \times 3\text{-year average revenue}$
- NOTE:** A Basel Charge of 15% will be used for the IAIS ICS.
- Medium Risk:  $5.0\% \times 3\text{-year average revenue}$ .
- Low Risk:  $2.5\% \times 3\text{-year average revenue}$
- NOTE:** Medium risk could be used as a starting point while the stratified methodology is further developed.

67. Other non-insurance, non-financial entities with material risk:

- Non-insurance, non-financial entities may not be as risky as financial entities. For non-insurance, non-financial entities not owned by RBC filers or other such entities where there is not a regulatory capital charge for the entity in the capital formula, use an equity charge of 10.5% (post tax) for predominantly life Insurance Groups 9.5% for predominantly P/C Insurance Groups and 3.5% for predominantly health Insurance Groups  $\times$  BACV. If the entity is not subject to a capital charge or is included in the capital charge of another financial entity, then enter zero in Column 1 and the charge specified in this paragraph in Column 2. These factors are based on average after covariance RBC charges for the respective insurer types and are calibrated at  $200\% \times$  ACL RBC. This is meant to be consistent with how the entity would be treated if owned by an RBC filer while recognizing that the entity may be excluded from the GCC if it does not pose material risk to the insurers in the group.

Non-insurance/non-financial entities owned by RBC filing insurers (or owned by other entities where a regulatory capital charge applied to the non-insurance/non-financial affiliate) will remain in the Parent's capital charge and reported at that value in Column 1

but will be reported as zero in Column 2. These non-financial entities may not be excluded from the GCC.

One additional informational capital calculation for all non-financial entities will be applied in the Sensitivity Analysis tab using current year gross revenue from Inventory B, Column 12 with the calculation occurring and results available in the “Calc 2” tab as follows: 5% of reporting year gross revenue based on a medium level risk for a financial entity.

**68. Non-operating holding companies:**

- Non-operating holding companies will be treated the same as other non-insurance/non-financial entities with material risk. Unless reported on a grouped basis (see paragraph 55), for purposes of applying the capital calculation, the carrying value of stand-alone positive valued and negative valued non-operating holding companies will be netted. If the net value is zero or less (floored at zero for purposes of applying a charge), the charge applied will be zero. If the filer chooses to designate the non-operating holding company as a non-insurance/non-financial entity without material risk and requests exclusion, then no allowance for debt issued by that holding company may be included in the calculation.

INVENTORY C – Capital Calculation to be Applied				
Parent Entity	Entity	Inv C, Column 1	Inv C, Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	RBC ACL (excl. op Risk) x 2	RBC ACL <u>(incl. op risk)</u> x 2	RBC ACL (excl. op Risk) x 2
U.S. RBC filer	Other U.S. Insurer	<u>Affiliate risk RBC</u>	Per GCC Entity Instructions	<u>Affiliate risk RBC</u>
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	<u>Affiliate risk RBC</u>	Jurisdictional or Sectoral PCR Level Capital Reqmt	<u>Affiliate risk RBC</u>
U.S. RBC filer	Financial w/o Capital Reqmt	<u>Asset risk RBC</u>	Per risk level factor x 3-year avg revenue	<u>Asset risk RBC</u>
U.S. RBC filer	Non-Financial	<u>Asset risk RBC -Post covariance</u>	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	Zero	RBC ACL <u>(incl. op risk)</u> x 2	Zero
Other U.S. Insurer	Any Other Entity Type	Zero	Per GCC Entity Instructions	Zero
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Capital Reqmt	RBC ACL <u>(incl. op risk)</u> x 2	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Capital Reqmt	Per GCC Instructions	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Capital Reqmt	Jurisdictional or Sectoral PCR Level Per Local Capital	Foreign Insurer or Other Regulated w/ Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Capital Reqmt	Per risk level factor x 3-year avg revenue	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Capital Reqmt	No entry Required	No entry Required - Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Zero	RBC ACL <u>(incl. op risk)</u> x 2	Zero
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Zero	Per GCC Entity Instructions	Zero
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Zero	Jurisdictional or Sectoral PCR Level Capital Reqmt	Zero
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Zero	Per risk level factor x 3-year avg revenue*	Zero
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Zero	Per GCC Instructions*	Zero

## Capital Calculation Adjustments

- **[Inv C Col 3] Investment in Subsidiary** – Enter an adjustment to remove the required capital of the directly owned subsidiary(ies) from Parent’s required capital. The capital requirement to be removed should be the capital requirement carried by the Parent from which the entity is being de-stacked (i.e., the value reported in Column 1 in Inventory C adjusted for ownership percentage). Thus, there will be no adjustment to the Parent’s value in this column for entities that are reported at a capital calculation of zero value by the parent. This is intended to prevent double counting required capital when regulated entities are stacked. [Example: When de-stacking an RBC filer from another RBC filer, the amount entered on the Parent line would be the RBC of the subsidiary. When de-stacking financial entities that are subject to diversification in a capital formula (e.g., RBC) the amount entered on the Parent line is the post-diversified capital requirement as calculated by the preparer (which is also the amount to be reported for the de-stacked entity on the entity’s line).

Generally the capital requirements for Schedule A and BA affiliates and other non-financial affiliates will remain in the capital requirements of the Parent insurer and not entered in this column, except that the capital requirements for any financial entity reported in a Parent’s Schedule A and BA, any financial entity indirectly owned through another Schedule A or BA affiliate listed in Schedule 1 and in this section should be entered in this column in the row of the entity that directly or indirectly owns that Schedule A and BA affiliate so that the parent entity may eliminate double counting of that capital requirement capital which will now be reported by the stand-alone Schedule A or BA affiliate listed in the inventory.

For indirectly owned Schedule A and BA financial entities, only the capital requirements for that entity will be included in this column and the remaining capital requirement of the downstream BA Parent will remain with the Parent insurer. Similarly, the capital requirement for any U.S. Branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the capital requirement of the foreign insurer so that the parent entity may eliminate double counting of that capital requirement which will now be reported by the stand-alone Branch listed in the inventory. The amounts entered in this column for a Parent must correspond to the capital required by the parent entity which is being de-stacked from that Parent.

Capital calculations for Schedule A and Schedule BA indirectly owned **financial entities** that are owned by Schedule A or Schedule BA assets are reported in the Inventory Tab and will be adjusted out of the value reported by the U.S. insurer in this column (since the non-financial direct parent Schedule A or BA affiliate is not listed in the Inventory Tab).

In the “Questions and Other Information” tab, a capital requirement should be reported for the value of the indirectly owned insurance of other financial entity based on the insurers Schedule A or Schedule BA charge rather than a charge (which would be zero) attributable to the Schedule A or Schedule BA entity that directly owns the insurance or other financial entity. As indicated earlier, the remaining capital requirement of the entity that directly owns the insurance or other financial entity will remain with the Parent insurer.

- **[Inv C Col 4] Intragroup Capital Instruments** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on surplus notes purchased by an affiliated U.S. insurer from a U.S. insurer issuer).

- **[Inv C Col 5] Reported Intragroup Guarantees, LOCs and Other** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on guarantees or LOCs).
- **[Inv C Col 6] Other Intragroup Assets** – This column is not intended to be used for required capital but is included in case an entity believes it is necessary from reporting an inaccurate required capital figure.
  - a. Loans, receivables and arrangements to centralize the management of assets or cash.
  - b. Derivative transactions.
  - c. Purchase, sale or lease of assets.
  - d. Other (describe in “Questions and Other Information” tab).
- **[Inv C Col 7] All Other Adjustments** – Include a brief explanation in the “Description of ‘Other Adjustments’” in the “Questions and Other Information” tab. Use this column is for adjustments related to required capital that correspond to adjustments in Inventory B, Column 7 and in cases where an entity believes it is necessary to adjust an inaccurate regulatory required capital figure (e.g., the RBC calculation applied as a permitted practice).

**NOTE:** Consider whether this column should be used rather than Column 2 for zero value entities.

- **[Inv C Col 8] Adjusted Capital Calculation** – Stand-alone capital calculation for each entity per the calculation to eliminate double-counting. This value includes the impact of permitted and prescribed practices.
- Inventory D is for “Reference Calculations Checks.” These are calculations that can serve as checks on the reasonability/consistency of entries.
  - a. **[Inv D Col 1 – 3] Sum of Subsidiaries (Carrying Value)** – This automatically generated column calculates the value of the carrying value of the underlying subsidiaries. It is provided for reference when filling out the “Investment in Subsidiary” column. This sum will often, but not always, be equal to the “Investment in Subsidiary” column.
  - b. **[Inv D Col 4 – 6] Sum of Subsidiaries (Calculated Capital)** – Similar to above but for calculated capital.
  - c. **[Inv D Col 7 – 8] Carrying Value/Adj Calc Cap** – This is a capital ratio on the adjusted and unadjusted figures. Double-check entities with abnormally large/small/negative figures to make sure that adjustments were done correctly.

### Input 3 – Capital Instruments

69. Provide all relevant information pertaining to paid-up (i.e., any receivables for non-paid-in amounts would not be included for purposes of calculating the allowance) financial instruments issued by the Group (including senior debt issued by a holding company), except for common or ordinary shares and preferred shares. This worksheet aims to capture all financial instruments such as surplus notes, senior debt, hybrid instruments and other subordinated debt. Where a Volunteer Group has issued multiple instruments, the Volunteer Group should not use a single

row to report that information; one instrument per row should be reported (multiple instruments issued under the same terms may be combined on a single line). All qualifying debt should be reported as follows.

70. Debt issued by U.S.-led groups:

- Surplus Notes – Report the outstanding value of all surplus notes in Column 8 whether issued to purchasers within or outside the group. The outstanding value of surplus notes issued to entities outside the group and that is already recognized by state insurance regulators and reported 100% as capital in the carrying value of U.S. insurer issuers in “Inventory B” will not be included in the calculation for an additional capital allowance. Surplus notes issued within the group generally result in double-counting and will not be included in the additional capital allowance. (See instructions below.)
- Subordinated Senior Debt and Hybrid Debt Issued (e.g., debt issuances that receive an amount of equity credit from rating agencies) – The outstanding value will be reported in Column 8. Recognition for structurally subordinated debt will be allowed to increase available capital. For purposes of qualifying for recognition as additional capital, both of the following criteria must be met:
  - a. The instrument has a fixed term (a minimum of five years at the date of issue or refinance, including any call options other than make whole provisions<sup>1</sup>). However, if the instrument is callable within the first five years from the date of issue it may be considered qualifying debt if any such call is at the option of the issuer only (the instrument is not retractable by the holder) AND it is the intent of management to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument.
  - b. Supervisory review or approval is required for any ordinary\* or extraordinary dividend respectively or distribution from any insurance subsidiary to fund the repurchase or redemption of the instrument. Supervisory approval of ordinary dividends is met if the supervisor has in place direct or indirect supervisory controls over distributions, including the ability for the supervisor to limit, defer and/or disallow the payment of any distributions should it find that the insurer is presently, or may potentially become, financially distressed. There shall be no expectation, either implied or through the terms of the instrument, that such approval will be granted without supervisory review.

\*The concept of approval for ordinary dividends is for GCC purposes and is met as described in subparagraph b, above. It is not intended to require explicit regulatory approval or in any way alter current provisions of Model #440 or the *Insurance Holding Company System Model Regulation* (#450).

- “Other” Debt – The outstanding value will be reported in Column 8 and will be further described in the “Other Information” tab and will be reported in a manner that is

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<sup>1</sup> NAIC staff have been informed that make whole provisions are a form of a call feature that can be exercised by the issuer at any time; that they nonetheless are most frequently utilized near the end of the term of the instrument, generally in connection with refinancing; and that the cost to the issuer to exercise the make whole provision and associated financial reporting impacts, combined with the very low interest rate environment, make it much less likely that such provisions will be triggered, particularly within five years of issuance. Staff will continue their research, and assuming these observations are confirmed, the referenced criteria will continue to scope out make whole provisions.

consistent with Senior Subordinated Debt, as described above. Such debt will not initially be included in the additional capital allowance for the GCC. An additional allowance of this debt as additional capital will be calculated in this tab and reported as a sensitivity analysis in the “Summary” 2 tab, subject to future determination on whether it will become part of the GCC calculation.

- Foreign Debt – Report the outstanding value of Non-U.S. senior debt issued to entities outside the group in Column 8. Debt specifically recognized by statute, regulation or accounting rule as additional capital resources by the lead jurisdiction based on contractual subordination or where a regulatory regime proactively enforces structural subordination through appropriate regulatory/supervisory controls over distributions from insurers in the group will not be included in the calculation of an additional capital allowance if it is already reported as capital in the carrying value of the issuer in “Inventory B”. It will be included in the calculation of an additional capital allowance if recognized by the local jurisdiction and NOT already included in the value of the issuer in “Inventory B”. Cases where the value of debt instruments issued to purchasers outside the group has not been recognized by the legal entity’s insurance or other sectoral supervisor will not be included in the additional capital allowance.

71. Please fill in columns in Section 3A as follows for all capital instruments:

- **[Sec 3A Col 1] Name of Issuer** – Name of the company that issued the capital financial instrument.<sup>2</sup> Will populate automatically from the “Entity Identifier” column in this subsection.
- **[Sec 3A Col 2] Entity Identifier** – Provide the reference number that was input in Schedule 1.
- **[Sec 3A Col 3] Type of Financial Instrument** – Select type from the drop-down menu. Selections include Senior Debt, Surplus Notes (or similar), Hybrid Instruments and “Other” Subordinated Debt.
- **[Sec 3A Col 4] Instrument Identifier** – Provide a unique security identifier (such as CUSIP). ALL debt instruments must include an internal identifier if not external identifier is available.
- **[Sec 3A Col 5] Entity Category** – Links automatically to selection made on the “Inventory” tab worksheet.
- **[Sec 3A Col 6] Year of Issue** – Provide the year in which the financial instrument was issued or refinanced.
- **[Sec 3A Col 7] Year of Maturity** – Enter the year in which the financial instrument will mature.
- **[Sec 3A Col 8] Balance as of Reporting Date** – Enter the principal balance outstanding as reported in the general-purpose financial statements of the issuer.

- [Sec 3A Col 9] **Intragroup Issuance** – Select whether the instrument was issued on an intragroup basis (that is, issued to a related entity within the group). This column will be used to remove “double-counting.” This column is a drop-down menu box with options “Y” and “N.”
- [Sec 3A Col 10] **Treatment in Inventory B** – Select option that applies:
  - a. **Capital** – This instrument is recognized by the applicable regulator or credited as capital in local regulatory regime and reported as part of the adjusted carrying value of the issuer and was not purchased by an affiliate. This includes the value of qualifying senior and hybrid debt instruments (if recognized as capital) and U.S. surplus notes (or similar local regime instruments) that are issued to entities outside the group and included in the issuing entity’s value in the “Inventory B” tab. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital.
  - b. **Liability** – This instrument is reflected by the issuer as a liability in the adjusted carrying value in the “Inventory B” tab and was not purchased by an affiliate. This would apply to all qualifying senior and hybrid debt issued to purchasers outside the group that is not recognized as capital by the local regulator and therefore is not included in the issuing entity’s value in the “Inventory B” tab. The value will be included in the calculation of a proxy allowance for additional capital.
  - c. **Liability designation** would also apply to all non-qualifying senior and hybrid instruments and all debt categorized as “Other” issued to purchasers outside the group that is not recognized as capital by the local regulator. The value of these instruments will NOT be included the calculation for the in the calculation of a proxy allowance for additional capital.
  - d. **Intragroup** – This would apply to all qualifying instruments purchased by an affiliate within the group. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital. If the financial instrument is recognized or credited as part of the issuer’s available capital in Inventory B, then an adjustment for intragroup capital instruments is made in Inventory B, Column 4 and Inventory C adjustments (if necessary to eliminate an associated capital requirement). If the financial instrument is treated as a liability by the issuer, then no intragroup capital instrument adjustment is required in Inventory B or Inventory C.
  - e. The outstanding value of all non-qualifying senior and hybrid instruments and financial instruments categorized as “Other Debt” whether issued to purchasers inside or outside the group will not be included in the calculation of a proxy allowance for additional capital and no other adjustments are required in the template. However, in the unlikely event that the instrument is treated as available capital to the issuer in Inventory B, an adjustment in Inventory B, Column 4 to remove the available capital would be required.

**NOTE:** Additional information on instruments categorized as “Other Debt” in the Type of Financial Instrument Column will require additional information to be provided in the “Questions and Other Information” tab.

**For intragroup surplus notes,** the adjustment will impact the carrying value and associated capital calculation of the purchasing affiliated entity.

- [Sec 3A Col 11] **Intragroup Purchaser Identifier** – Enter the entity identify for the affiliate entity that purchased the instrument.
- [Sec 3A Col 12] **Description of Other Debt Instruments** – Provide a description of instruments designated as “Other.”
- [Sec 3A Col 13] **Call Provisions Criteria** – Respond “Y” or “N” as to whether the instrument is subject to a call provision (other than a make whole provision) in the first five years AND it is management’s intent to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument. Respond “X” if the instrument has a maturity of greater than five years including any call provisions.
- [Sec 3A Col 14] **Potentially Recognized Instrument** – This is an automatic calculation to determine if this is instrument that has potential to be recognized as additional capital in the GCC and/or in sensitivity analysis. The column will show “Y” if each of the following is true: 1) it is Senior Debt, Hybrid or Other instrument; 2) the instrument is not intragroup; and 3) the instrument is treated as liability on Inventory B. These are calculated using Column 3, Column 9, and Column 10, respectively.
- [Sec 3A Col 15] **Other Criteria Met** – This is an automatic calculation to determine if instrument qualifies due to criteria beyond those in Column 14. The column will show “Y” if: 1) the instrument has initial maturity of greater than five years including any call provision (i.e., “X” is reported in Column 13); and 2) it meets the “Call provisions criteria” in Column 13 (i.e., “Y” is reported in Column 13).
- [Sec 3A Col 16] **Qualified Debt** – This column is calculated automatically using data from the entries in Column 14 and Column 15. To qualify, an instrument needs a “Y” in both columns. It represents the amount of qualifying debt that will be used in the calculation of an allowance for addition capital under the alternate subordination method and the proxy allowance method. This amount will be carried into Section 3C, Column 1, Line 3.

72. Section 3C will be auto-filled, with the exception of Column 1, Line 2.

- [Sec 3C Col 1, Line 1] **Total Paid-In and Contributed Capital and Surplus** – This is the amount reported on Page 3 of the annual financial statement submitted to regulators by a U.S. insurer.
- [Sec 3C Col 1, Line 2] **Alternate Subordination Calculation** – This manual entry is the excess of qualifying debt issued over liquid assets held by the issuing consolidated holding company as reported in the consolidated financial statements. No entry is expected for a mutual group.
- [Sec 3C Col 1, Line 4] **Downstream Estimate** -The total reported under the alternate subordination approach will be compared to the total amount of gross paid-in or contributed capital and surplus reported by the insurance entities within the group as

reported in Schedule 1. The greater value will be carried into the calculation for an additional capital allowance.

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- **[Sec 3C Col 1, Line 5] Proxy Calculation for Additional Capital Allowance** – A calculation will be made in this tab in Section 3B that will apply 30% of available capital plus the value of all qualifying debt to become part of the proxy allowance for additional capital for qualifying senior subordinated. An additional amount of 15% of available capital plus the value of all qualifying debt will be calculated to become part of a proxy allowance for additional capital be for hybrid debt.

**Summary Formula:** Proxy Amount =  $(30\% \times (\text{Available Capital} + \text{Qualifying Senior and Hybrid Debt})) + (15\% \times (\text{Available Capital} + \text{Qualifying Senior and Hybrid Debt}))$

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- **[Sec 3C Col 1, Line 6 through Line 8]** – The greater of the proxy calculation or the larger of paid in capital or alternate subordination calculation will be allowed as additional capital in **[Sec 3C Col 6]**. However, an overall limit of no more than 75% of the total adjusted carrying value in Inventory B will be applied in **[Sec 3C Col 7]**. Adjustments to increase available capital will be calculated from data on this page. The summary results of the components of the calculation (paid in capital and surplus, alternate subordination, proxy calculation and limitations) are populated as titled in the calculation columns in this section. The final amount recognized as additional capital is shown in **[Sec 3C Col 8]**.
- The additional capital allowance recognized for capital instruments will be shown as an “on-top” adjustment in the “Summary 1 – Entity Level” tab.

#### **Summary Calculation for Debt Allowed as Additional Capital:**

Step 1: Calculate the following amounts:

- a) The greater of Total paid-in capital and surplus of U.S. insurers or the alternative subordination calculation (defined above)
- b) A proxy value (defined above)

Step 2: Take the greater of a) or b) from Step 1, and subject that amount to two limitations:

- First, the total amount to qualify as capital cannot exceed 100% of the total outstanding value of qualified senior and hybrid debt.
- Second, the total amount to qualify as capital cannot exceed 75% of the total adjusted carrying value in Inventory B.

After applying the two limitations in Step 2, the remaining amount is allowed as additional capital.

73. **Informational calculation to include “Other Subordinated Debt”** – A sensitivity analysis will be applied in [Sec 3C Col 2, Line 1 through Line 8] and carried into the “Summary 2” tab to adjust the amount of additional capital in the proxy calculation by the amount of “Other Debt” reported in [Sec 3C Col 8] issued to purchasers outside the group. This informational sensitivity analysis will include an additional allowance for such debt up to 15% of available capital plus the value of all qualifying debt including qualifying “Other” debt subject to the same limitations noted for the proxy allowance in general.

## Input 4 – Analytics

74. The entity type information supporting analytics summarized in Summary 3 – Analytics are pulled into this tab from data or information reported in other tabs in the GCC template. That data is exported into summaries in the “Summary 3 – Analytics” tab. Only 2020 data is currently to be populated. However, it is contemplated that going forward, data for prior years will also be populated such that it will provide the Lead State Regulator with metrics to identify trends over time.

## Input 5 – Sensitivity Analysis and Inputs

75. All sensitivity analysis is ultimately calculated in the “Summary 2” tab. Inputs for Analysis 1, 2, 5, 6, and 7 are not required in this tab. They are populated from other tabs as described below and automatically calculated in the “Summary 2” tab. However certain analysis requires inputs from this tab. Inputs are required in this tab for Analysis 3, Analysis 4, Analysis 8, and Analysis 9. Those inputs are automatically pulled into the calculation in the Summary 2 tab. Sensitivity Analysis are intended to provide the Lead State Regulator additional information that helps them better understand the financial condition of the group. Similar to the sensitivity analysis included in the legal entity RBC, it provides the regulator with additional information and allows them to consider “what-if” scenarios to better understand the impact of such items. The results of these analysis will not impact the GCC ratio.

- **[Analysis 1]: GCC overall sensitivity analysis** – No additional data is needed in the tab. The overall GCC ratio will be presented at 300% x ACL level. This calculation will increase the calculated capital for most entity types by a factor of 1.5. However, entities with existing regulatory capital requirements (e.g., foreign insurers and banks) will be reported at the same level specified in these instructions for both the GCC and the sensitivity analysis (i.e., at 100% of the jurisdictional or sectoral PCR requirements).
- **[Analysis 2]: Excluded non-insurance/non-financial entities without material risk** – No additional data is needed in the tab. The data for entities where exclusion has been requested and the lead state does not agree will be populated based on entries in [Sch 1B Col 3] and data in Inventory B, Column 2 and Inventory C, Column 2. This analysis will be applied and reported in the “Summary 2” tab. It will provide the regulator with the impact of excluding non-agreed-upon entities on the GCC ratio.
- **[Analysis 3 and Analysis 4]: Permitted practices** – This information shows the amount of U.S. permitted practices as described in the Preamble of the *Accounting Practices and*

*Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio.

- **Prescribed Practices** – This information to be entered on this tab shows the amount of U.S. prescribed and prescribed practices as described in the Preamble of the *Accounting Practices and Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio. This analysis will be applied and reported in the “Summary 2” tab.
- **Permitted and Prescribed Practices** – Report values from annual financial statement Note 1 (excluding those pertaining to XXX/AXXX captives):
  - a. Entity identifier
  - b. Value of permitted practice
  - c. Capital Requirement attributable to permitted practice (if any)
  - d. Description of permitted practice
  - e. Value of prescribed practice
  - f. Capital requirement attributable to permitted practice (if any)
  - g. Description of prescribed practice
- **[Analysis 5]: Foreign Insurer Capital Requirements Scaled** – No additional data is needed in the tab. This information shows the amount of foreign insurer capital calculations scaled by applying scalars using the Excess Relative Ratio approach at a 200% x ACL RBC calibration level and at 300% x ACL for all non-U.S. jurisdictions where scalar data is available (see Appendix 1). The sensitivity analysis allows the state to understand the impact of this specific scaling method on the GCC ratio. This information is populated from the “Scalar” tab. This analysis will be applied and reported in the “Summary 2” tab.
- **[Analysis 6]: Debt Classified as “Other”** – No additional data is needed in the tab. The analysis data will be populated from the “Capital Instruments” tab and the analysis and will be applied and reported in the “Summary 2” tab.
- **[Analysis 7]: Alternative Capital Calculation for Non-Financial Entities** – No additional data is needed in the tab. The values reported will represent the alternative revenue-based values for capital calculation that is being captured in the template. The data will be populated from Schedule 1 and Inventory B and the analysis will be applied and reported in the “Scaling Non-Insurance” tab (Calc 2).
- **[Analysis 8]** For captives other than XXX/AXXX, all other U.S. captives shall make an asset adjustment as described below;

### **Asset Impact**

76. For the asset impact, it is ONLY required for the assets included in a captive or an entity not required to follow the statutory accounting guidance in the *Accounting Practices and Procedures Manual*. It is not required for assets for those groups that retain such business in a non-captive traditional insurance company(ies) already required to follow the *Accounting Practices and Procedures Manual*.

**NOTE:** Variations for state prescribed and permitted practices are captured in the separate sensitivity analysis.

77. The asset impact amount shall be determined based on a valuation that is equivalent to what is required by the *Accounting Practices and Procedures Manual* (SAP). For this purpose, “equivalent” means that, at a minimum the listed adjustments (as follows) be made with the intent of deriving a valuation materially equivalent to what is required by the *Accounting Practices and Procedures Manual*, however, without requiring adjustments that are overly burdensome (e.g., mark-to market bonds used by some captives under U.S. GAAP versus full SAP that considers NAIC designations). To be more specific, the asset impact shall be developed by accumulating the impact on surplus because of an accumulation of all the following in paragraph 78 and paragraph 79 combined.

**NOTE:** Letters of credit or other financial instruments that operate in a manner like a letter of credit, which are not designated as an asset under either SAP or U.S. GAAP and are required to be adjusted out of the available assets (i.e., the asset reduction is recorded as a negative figure in the template).

78. To achieve the above, accumulate the effect of making the following impact and record as a negative figure in the template, an asset adjustment for all the following explicit assets not allowed to be admitted under SAP:

- Assets specifically not allowed under the *Accounting Practices and Procedures Manual* in accordance with paragraph 9 of SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.
- SSAP No. 6—*Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers*.
- SSAP No. 16R—*Electronic Data Processing Equipment and Software*.
- SSAP No. 19—*Furniture, Fixtures, Equipment and Leasehold Improvements*.
- SSAP No. 20—*Nonadmitted Assets*.
- SSAP No. 21—*Other Admitted Assets* (e.g., collateral loans secured by assets that do not qualify as investments are nonadmitted under SAP).
- SSAP No. 29—*Prepaid Expenses*.
- SSAP No. 105—*Working Capital Finance Investments*.
- Expense costs that are capitalized in accordance with GAAP but are expensed pursuant to statutory accounting as promulgated by the NAIC in the *Accounting Practices and Procedures Manual* (e.g., deferred policy acquisition costs, pre-operating, development and research costs, etc.).

- Depreciation for certain assets in accordance with the following SSAPs:
    - *SSAP No. 16R—Electronic Data Processing Equipment and Software.*
    - *SSAP No. 19—Furniture, Fixtures, Equipment and Leasehold Improvements.*
    - *SSAP No. 68—Business Combinations and Goodwill.*
  - The amount of goodwill of the SCA more than 10% of the audited U.S. GAAP equity of the SCA's last audited financial statements.
  - The amount of the net deferred tax assets (DTAs) of the SCA more than 10% of the audited U.S. GAAP equity of the SCA's last audited financial statements.
  - Any surplus notes held by the SCA issued by the reporting entity.
79. In addition, record as a negative figure, an asset impact for any assets that are not recognized as an admitted asset under the principles of *SSAP No. 4—Assets and Nonadmitted Assets*, including:
- Letters of credit, or other similar instruments, that operate in a manner like a letter of credit and, therefore, do not meet the definition of "asset" as required under paragraph 2.
  - Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests, should not be recognized on the balance sheet and are, therefore, considered nonadmitted.
  - Assets of an insurance entity pledged or otherwise restricted by the action of a related party, the assets are not under the exclusive control of the insurance entity and are not available to satisfy policyholder obligations due to these encumbrances or other third-party interests. Thus, such assets shall not be recognized as an admitted asset on the balance sheet.
  - **[Analysis 9]: Other Regulator Discretion** – This analysis is designed to reflect other regulator adjustments including for transactions other than XXX/AXXX reinsurance where there are differences in regulatory regimes exist and there is a desire to fully reflect U.S. Statutory Accounting treatment or to reflect the lead state's view of risk posed by financial entities without specified regulatory capital requirements or risk posed by non-insurance/non-financial entities that have been included in the GCC. This will be a post-submission item completed by the Lead State Regulator. Enter the following information here:
    - a. Entity identifier.
    - b. Amount of adjustment.
    - c. Description of regulatory issue.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

## Input 6 – Questions and Other Information

80. This tab provides space for participants to describe or provide greater detail for specified entries in other tabs (as noted in the instructions for the columns in those tabs) or additional relevant information not captured in the template. Examples include; adjustments for intragroup debt, description of permitted practices; and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab. Specified items are included in the tab. Other information that the filer believes is relevant should be added freeform in this tab.

### **Information or Detail for Items Not Captured in the Template**

- Intercompany Guarantees – Provide requested information:
  - a. Entity identifier issuing the guarantee.
  - b. Entity identifier of entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the guarantee.
  - d. Describe the nature of the guarantee.
- Capital Maintenance Agreements – Provide requested information:
  - a. Entity identifier obligated under the agreement.
  - b. Entity identifier for entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the agreement.
  - d. Describe the nature of the agreement.
- Value of intangible assets included in non-insurance Holding Companies – Provide the requested information for all entities designated in the non-operating holding company entity category.
  - a. Entity identifier.
  - b. All goodwill.
  - c. All intangibles related to health care services acquisitions included in local carrying value column in Inventory B. Examples include, but are not limited to, customer relationships (policy retention, long-term health services contracts) and technology/patents/trade names and provider network contracts.
  - d. All other intangible assets included in local carrying value column in Inventory B.
  - e. Total of line b, line c and line d.\*
  - f. A description of each intangible asset included in line d.

\* Auto populated.

Further detail on amounts reported for specific intangibles other than goodwill may be requested by the Lead State Regulator during review of the GCC template.

### **Information or Detail for Items Captured in the Template**

- Currency Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 2 is different than the amount in Inventory B, Column 1 due to currency conversion.

- a. Entity identifier.
  - b. Currency type reported in Inventory B, Column 1 and Inventory C, Column 1 (foreign currency).
  - c. Conversion rate applied.
  - d. Source of conversion rate applied.
- Intragroup Assets – Description of Adjustments for intragroup assets reported in Inventory B, Column 6 and Inventory C, Column 6. Provide the following information:
    - a. Entity identifier.
    - b. Amount reported in Inventory B, Column 6.
    - c. Description of adjustment.
  - Other Adjustments – Description of adjustments reported in Inventory B, Column 7 and Inventory C, Column 7. Provide the following information:
    - a. Entity identifier.
    - b. Amount reported in Inventory B, Column 7.
    - c. Description of adjustment.
  - Accounting Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 1 is different than the amount in Inventory B, Column 2 due to differences in accounting basis
    - a. Entity identifier.
    - b. Value reported in Inventory B, Column 1.\*
    - c. Value reported in Inventory B, Column 2.\*
    - d. Total amount of adjustments related to difference in accounting basis.\*
    - e. Nature of adjustment (e.g., GAAP to SAP).

\* Auto populated.

- Stress Scenario Narrative – Provide a high-level description of the anticipated market conditions or other reasonably likely company specific drivers that would lead to the selected level of stress results (i.e., the percentage adjustments) calculated in the Stress Summary tab. In addition, provide any comments relating to the potential for procyclical GCC ratio results in specific areas of the calculation.
- The tab also includes a listing of all Schedule A and Schedule BA affiliates, along with the following information:
  - a. Parent identifier (if available) – This is the same information as is included in Schedule 1 [Sch 1B Col 3] as would be entered for non-Schedule A/Schedule BA affiliates.
  - b. Parent Name – Enter the Name of the Parent.
  - c. Is Parent a Schedule A or Schedule BA Asset? – This column is only required for financial entities that are Directly owned by a Schedule A or Schedule BA Affiliate. No other downstream affiliates owned by Schedule A or Schedule BA entities need

to be listed. These entities are not normally independently reported in Schedule A and Schedule BA so are extra entries.

- d. Financial? (Y/N) – If the entity meets the criteria as being a financial entity, indicate with a “Yes” response. A “No” response is not required for other entities listed. “Yes” entries should correspond to “Yes” entries in Schedule 1 [**Sch 1B Col 16**].
- e. Carrying Value of Immediate Parent – Report the value listed in Schedule A and Schedule BA of the Parent insurer. For those cases where an indirect financial entity is reported use the value used by the direct Parent.
- f. Capital Requirement for Immediate Parent – Report the value listed in the RBC report of the Parent insurer (pre-tax where applicable). For those cases where an indirect financial entity is listed, report the value of the capital requirement attributable to the Insurer rather than the direct non-financial Schedule BA Parent. The capital requirement reported in this column for the immediate Schedule BA Parent should be adjusted to deduct the amount moved to Schedule 1 and Inventory C.

## Calc 1 – Scaling (Insurance Entities)

81. All entries in this tab are calculation cells populated using data from within the tab or using data from elsewhere in the template. Scaled values for calculated capital will become part of the GCC ratio. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab. The concept of a scalar was first introduced to address the issue of comparability of accounting systems and capital requirements between insurance regulatory jurisdictions. The idea is to scale capital requirements imposed on non-U.S. insurers so as to be comparable to an RBC-based requirement. Two approaches for scaling related to foreign insurers were presented, and others are being explored and will be reviewed. A decision on the scaling methodology to be adopted into the GCC template will be made at the end of the review. In the interim a scalar of 100% of the jurisdictional PCR will be applied to all jurisdictions where a risk-sensitive capital requirement is in place.
82. Information on the Excess Relative Ratio (ERR) scalar methodology will be collected and applied in the “Sensitivity Analysis” tab.

**NOTE:** See Appendix 1 for more information and examples on how the ERR scalars are calculated.

83. For jurisdictions without risk-sensitive capital requirements a 100% charge will be applied to adjusted carrying value.

## Calc 2 – Capital Calculations for Non-insurance Entities

84. All entries in this tab are either calculation cells using data from within the tab or using data populated from elsewhere in the template. Calculated capital for all entities except insurers will be reported in this tab. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab.
85. In addition, one informational option for calculated capital for financial entities without an existing regulatory capital requirement and one informational option for calculated capital for

non-financial entities will be reported in this tab. Those calculation will not be carried into the “Summary 1 – Entity Level” tab and will not be part of the GCC ratio.

86. Only amounts for entities that the filer and the Lead State Regulator agree should **not** be excluded [**Sch 1B Col 2**] will be brought into the calculation in this tab and the “Summary 1 – Entity Level” tab. Entities where the Lead State Regulator does not agree with the filer’s request to exclude an entity will be part of the GCC ratio.

## Summary 1 – Entity Level GCC Summary

87. Summarized results by entity type for the GCC ratio will be reported in this tab. An on top adjustment for debt allowed as additional capital will be added at the bottom of the table. All informational sensitivity analysis will be reported in Summary 2 and will not impact the GCC ratio.

## Summary 2 – Informational Sensitivity Tests

88. Summary results for each informational sensitivity analysis described in the “Sensitivity Analysis Inputs” tab will be shown here. Each sensitivity analysis will be shown on a stand-alone basis. It is expected that each informational sensitivity analysis will run automatically in the background and the results for each displayed in this tab. The results for the informational sensitivity analysis will not be included in the “Summary 1 – Entity Level” tab.

## Summary 3 – Analytics

89. Summary results for metrics described in the Analytics Guidance [**insert attachment or appendix reference**] and utilizing data collected in the “Input 4 – Analytics” tab or other tabs in the GCC will be calculated and presented here.

## Summary 4 – Alternative Grouping Option(s)

90. One sample alternative structure for grouping by entity type or jurisdiction in the GCC is displayed based on a suggested method. It can be modified, or other suggestions can be accommodated based on combining data from **Schedule 1 and the Inventory** in defined ways.

This tab is intended to be an additional analytical tool. The tool summarizes the GCC based on how a reporting entity views its organization, and provides regulators that view, to align it with regulatory information, other than what is reported elsewhere in the GCC template, that the reporting entity has submitted such as current filings, communications, etc. In this summary view, entities are organized into like regimes (e.g., RBC filers, foreign insurers, banks, financial, or non-financial entities) and multiple entities may be grouped together, in order to create a view of capital that is easy to review and analyze within each grouping. The intent of this approach is to provide an additional analytical tool designed to enhance dialogue between the Lead State Regulator and the company contemplated by the GCC filing. This view is transparent (no scalers, no adjustments, no de-stacking) so that financial information may be

cross-walked to other financial submissions such as RBC filings. However, it does contain double counting of available and required capital (“i.e., intra-company investments and transactions are not eliminated) and cannot be used to create a GCC ratio.

91. The results are dependent on how the reporting entity populated. Input 1 – Schedule 1, Column 9 Alternative Grouping. For example, if you have a dozen small dental HMO businesses, you may wish to collapse the results to a single line called “Dental HMOs,” by populating Input 1 – Schedule 1, Column 9 Alternative Grouping for each dental HMO as “Dental HMOs.” Then right-click and select “Refresh” to see the results with the “Dental HMOs” combined.
92. For reference, the data for the Summary 4 – Grouping Alternative is from Calc 1 – Scaling (Ins, Bank), which is fed by the inputs made in Input 1 – Schedule 1, Input 2 – Inventory, etc.

### **Stress Inputs**

93. All entries in this tab are either calculation cells using data from within the tab or using data populated from elsewhere in the template in a standardized approach. Available capital and calculated capital for all entities using a selected stress level will be reported in this tab. The calculated values will be summarized in the “Stress Summary tab.”
94. The filer or the analyst may use the available section in the tab that allows data entry in order to apply stress to additional entity categories not covered in the standardized approach (e.g., foreign insurers subject to scalrs in the sensitivity analysis). The inputted values will be summarized in the “Stress Summary tab.”
95. A separate narrative describing potential drivers of the selected stress level should be submitted [FL7].

**NOTE:** See Appendix 2 for more detail.

### **Stress Summary**

96. Summarized results by entity type will be reported in this tab.

## Appendix 1 – Explanation of Scalars

**93.97.** The concept of a scalar is to equate the local capital requirement to an adjusted required capital level that is comparable to U.S. levels. The purpose of a scalar is to address the issue of comparability of accounting systems and capital requirements between jurisdictions. The following provides details on how the scalars were calculated by the NAIC, or how they are to be used when the NAIC has not developed a scalar for a country due to lack of public data.

### Excess Relative Ratio Approach

**94.98.** Included below are various steps to be taken in calculating the excess relative ratio approach to developing jurisdiction-specific scalars. In order to numerically demonstrate how this approach could work, hypothetical capital requirements and financial amounts have been developed for Country A. Based on preliminary research that has been performed by NAIC staff, it appears that the level of conservatism built into accounting and capital requirements within a jurisdiction may differ significantly for life insurers and non-life insurers. Therefore, ideally each jurisdiction would have two different scalars based on the type of business. The example below includes information related to life insurers in the U.S. and Country A.

#### Step 1: Understand the Jurisdiction’s Capital Requirements and Identify the First Intervention Level

- a. The first step in the process is to gain an understanding of the jurisdiction’s capital requirements. This can be done in a variety of ways including reviewing publicly available information on the regulator’s website, reviewing the jurisdiction’s Financial Sector Assessment Program (FSAP) reports and discussions with the regulator.

In Country A, assume that the capital requirements for life insurers are based on a capital ratio, which is calculated as follows:

$$\text{Capital ratio} = \frac{\text{Total available capital}}{\text{Base required capital (BRC)}}$$

In the U.S., capital requirements are related to the insurer’s RBC ratio. For purposes of the Relative Ratio Approach, an Anchor RBC ratio is used and calculated as follows:

$$\text{Anchor RBC ratio} = \frac{\text{Total adjusted capital}}{100\% \text{ Company Action Level RBC}^*}$$

\* 100% Company Action Level RBC is equal to the Total RBC After Covariance **before including operational risk**, without adjustment or 200% Authorized Control Level RBC.

- b. Similar to legal entity RBC requirements in the U.S., Country A utilizes an early intervention approach by establishing target capital levels above the prescribed minimums that provide an early signal so that intervention will be timely and for there to be a reasonable expectation that actions can successfully address difficulties. Presume that this target capital level is similar to the U.S. Company Action Level (CAL) event, both of which can be considered the first intervention level in which some sort of action—either on the part of the insurer or the regulator—is mandated.

A separate sensitivity calculation will be applied in the GCC template using trend test level RBC.

- c. For Country A, the target capital level is presumed to be a capital ratio of 150%. That is, the insurer's ratio of total available capital to its BRC should be above 150% to avoid the first level of regulatory intervention. Again, this is similar to the U.S. CAL event, which is usually represented as an RBC ratio of 200% of Authorized Control Level (ACL) RBC (ignoring the RBC trend test). In the Relative Ratio approach, the Anchor RBC ratio represents the Company Action Level event (or first level of regulatory intervention) as 100% CAL RBC (instead of 200% ACL RBC), because CAL RBC is the reference point that is used to calibrate against other regimes. The Anchor RBC Ratio ( $\text{Total Adjusted Capital} \div 100\% \text{ CAL RBC}$ ) tells us how many "multiples of trigger level capital" that the company holds. Conceptualizing the CAL event as 100% CAL RBC allows the consistent definition of local capital ratios that are calibrated against a "multiples of the trigger level" approach, to ensure an "apples-to-apples" comparison.<sup>3</sup>

### Step 2: Obtain Aggregate Industry Financial Data

**95.99.** The next step is to obtain aggregate industry financial data, and many jurisdictions include current aggregate industry data on their websites. Included below are the financial amounts for use in this exercise.

<i>U.S. Life Insurers – Aggregate Data</i>
Total Adjusted Capital = \$495B
Authorized Control Level RBC = \$51B
Company Action Level RBC = \$102B
<i>Country A Life Insurers – Aggregate Data</i>
Total Available Capital = \$83B
BRCA = \$36B

### Step 3: Calculate a Jurisdiction's Industry Average Capital Ratio

**96.100.** To calculate a jurisdiction's average capital ratio, the aggregate total available capital for the industry would be divided by the minimum or base capital requirement for the industry in computing the applicable capital ratio. In Country A, this would be the BRC. In the U.S., this base or minimum capital requirement is usually seen as the ACL RBC, but because the Relative Ratio Approach is using 100% CAL RBC as a reference point to calibrate other regimes to, the Relative Ratio formula uses 100% CAL RBC as the baseline and the first-intervention level to calculate the Average Capital Ratio and Excess Capital Ratio. As a result, the scaled ratio of a non-U.S. company should inform regulators how many multiples of first-intervention level

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While it is mathematically equivalent to use 200% ACL RBC as the denominator, the Approach is designed to use the representation of first-intervention level capital levels as the conceptual underpinning of the Relative Ratio Approach, where 100% CAL RBC is the reference point to calibrate against other regimes.

capital the non-U.S. company holds. Included below is the formula to calculate a jurisdiction's industry average capital ratio:

*Calculation of Country A Industry Average Capital Ratio – Life Insurers*

\$83B (Total Available Capital)

\$36B (BRC)	<b>= 231%</b>
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#### Step 4: Calculate a Jurisdiction's Excess Capital Ratio

**97.101.** The next step is to understand the level of capital the industry is holding above the first intervention level. Therefore, to calculate a jurisdiction's excess capital ratio, one would first need to calculate the amount of the capital ratio carried in excess of the capital ratio required at the first intervention level. This amount would then need to be divided by the capital ratio required at the first intervention level.

$$\frac{\text{Average Capital Ratio} - \text{Capital Ratio at the First Intervention Level}}{\text{Capital Ratio at the First Intervention Level}}$$

**98-102.** Based on the formula above and information provided in Step 2 and Step 3, included below are how to calculate each jurisdiction's excess capital ratio.

**NOTE:** The first intervention level in the U.S. is defined in the Relative Ratio Approach as 100% CAL RBC, while the first intervention level in Country A is a capital ratio of 150%.<sup>4</sup>

$$\frac{485\% \text{ (Average Capital Ratio)} - 100\% \text{ (Capital Ratio at the First Intervention Level)}}{100\% \text{ (Capital Ratio at the First Intervention Level)}} = 385\%$$

$$\frac{231\% \text{ (Average Capital Ratio)} - 150\% \text{ (Capital Ratio at the First Intervention Level)}}{150\% \text{ (Capital Ratio at the First Intervention Level)}} = 54\%$$

<sup>4</sup> 100% CAL RBC translates to an ACL RBC level of 200%, but for conceptual purposes, the Relative Ratio Approach refers to the U.S. first intervention level as 100% CAL RBC, as 100% CAL RBC is the reference point to which the Relative Ratio Approach calibrates other regimes. In other words, 100% CAL RBC ensures that the scaled ratio of Country A results in a ratio that determines how many multiples of first-intervention level capital that the company in Country A is holding.

Step 5: Compare a Jurisdiction's Excess Capital Ratio to the U.S. Excess Capital Ratio to Develop the Scalar

**99.103.** Based on the information above, the U.S. excess capital is 385%. In other words, life insurers in the U.S. carry approximately 385% more capital than what is needed over the first intervention level. Country A's excess capital ratio is 54%. That is, life insurers in Country A carry approximately 54% more capital than what is needed over the first intervention level.

**100.104.** To calculate the scalar, one would divide a jurisdiction's excess capital ratio by the U.S. excess capital ratio. Therefore, the calculation of Country A's scalar for life insurers would be  $54\% \div 385\% = 14\%$ . Therefore, Country A's scalar for life insurers would be 14%.

Step 6: Apply to the Scalar to the Non-U.S. Insurer's Amounts in the GCC

**101.105.** In order to demonstrate how the calculation of the scalar works, it would be best to provide a numerical example. For purposes of this memo, assume that a life insurer in Country A reports required capital of \$341,866 and total available capital of \$1,367,463. (These are the amounts previously used in a hypothetical calculation example that was discussed by the Working Group during its July 20, 2016, conference call.) As noted previously, the above information and calculation suggests that U.S. life insurers carry capital far above the minimum levels, while life insurers in Country A carry capital far closer to the minimum. Therefore, in order to equate the company's \$341,866 of required capital, we must first calibrate the BRC to the first regulatory intervention level by multiplying it by 150%, or Country A's capital ratio at the first intervention level. The resulting amount of \$512,799 is then multiplied by the scalar of 14% to get a scaled minimum required capital of \$71,792.

**102.106.** Further, the above rationale suggests that the available capital might also be overstated (because it does not use the same level of conservatism in the reserves) by the difference between the calibrated required capital of \$512,799 and the required capital after scaling of \$71,792, or \$441,007. Therefore, we should now deduct the \$441,007 from the total available capital of \$1,367,463 for a new total available capital of \$926,456. These two recalculated figures of required capital of \$71,792 and total available capital of \$926,456 is what would be included in the group's capital calculation for this insurer. These figures are further demonstrated below.

*Calculation of Scaled Amounts for GCC*

Amounts as Reported by the Insurer in Country A

Total available capital = 1,367,463

Minimum required capital (BRC) = 341,866

Calibration of BRC to 1<sup>st</sup> Regulatory Intervention Level

341,866 (BRC) \* 150% = 512,799

Scaling of Calibrated Minimum Required Capital

512,799 (Calibrated BRC) \* 14% (Scalar) = 71,792 (Difference of 441,007)

Scaled Total Available Capital

1,367,463 (Total Available Capital) – 441,007 (Difference in scaled required capital) = 926,456

**103.107.** Given these scaled amounts, one can calculate the numerical effect on the company's relative capital ratio by using the unscaled and scaled amounts included below.

	<i>Unscaled Amounts from Table Above</i>	<i>Scaled Amounts from Table Above</i>
Total Available Capital (TAC)	1,367,463	926,456
Base Required Capital (BRC)	<u>341,866</u>	<u>71,792</u>
Capital Ratio (= TAC ÷ BRC)	400%	1290%

**104.108.** Considering the fact that life insurers in Country A hold much lower levels of capital over the first intervention level as compared to U.S. life insurers, the change in the capital ratio from 400% (unscaled) to 1290% (scaled) appears reasonable and consistent with the level of conservatism that we understand is built into the U.S. life RBC formula driven primarily from the conservative reserve valuation.

**Note that in the above example, the company has an unscaled ratio (400%) that is above the industry average in Country A (231%) and a scaled ratio (1290%) that is higher than the US life industry average (485%). If the company had unscaled ratio that was lower than the industry average in Country A, its scaled ratio would be lower than the US life industry average. company with an unscaled ratio equal to its own country's industry average will have a scaled ratio equal to the anchor RBC ratio.”**

## Appendix 2 – Stress Scenario

**105.109.** What follows is a proposal for a stress to be applied to the GCC to test how the limits on recognition of capital instruments as capital behave under stress. In designing this stress, an emphasis was placed on simplicity. The proposed scenario requires no input or calculation on the part of volunteers beyond that already necessary for completing the GCC template.

Further scenarios, if any, could follow this same structure:

- (1) A scenario that includes one (or more) stresses to a Group's financial position
- (2) Specification of how each stress impacts the available capital and calculated capital for each type of legal entity
- (3) Input of the adjusted carrying value and adjusted calculated capital after the impact of the stress(es)
- (4) Re-calculation of the same calculations (e.g., application of limits on debt and scaling) and summary tables (including sensitivity tests)

### **Proposal**

**110. Scenario:** A group specific loss event that results in a proportional reduction in available capital across the Group's entire operations. What follows is a description based on a 10% reduction.

**Other levels of adjustments may be applied by the group. A variation based on a 20% reduction will be tested as well.**

**106.111. Specification:** The scenario should result in X% reduction (10% used in the example below) in the adjusted available capital for all non-holding company entities. For entities where calculated capital is a fixed percentage of available capital (e.g., non-insurance / nonfinancial entities and foreign insurers in jurisdictions without a risk-based capital requirements) and for entities where capital is a fixed percentage of revenue), reductions in calculated capital are assumed to result as well. As an approximation of the impact of the impact of this scenario on revenue, the calculated capital for financial entities with revenue-based exposure should reduce by X% as well.

**107.112. Inputs:** No direct input needed. Instead, the inputs will be automatically calculated in the new Stress Inputs tab and summarized in the new Stress summary tab as follows:

Type of Entity	Impact on Adj Carrying Value	Impact on Adj Calc Capital
US Insurance Entities	10% reduction	No Impact
Fin (Banking and Other W Cap Req)	10% reduction	No Impact
Fin (Asset Mgmt and Other W/O Req)	10% reduction	10% reduction based on corresponding reduction in revenue
Non-US (w/ Risk Based CC)	10% reduction	No Impact on unscaled GCC though XS Relative Ratio factors should be adjusted for sensitivity test
Non-US (non-Risk Based))	10% reduction	10% reduction based on corresponding reduction in equity value
HoldCo	No Impact	No Impact

Other	10% reduction	10% Reduction based on corresponding reduction in equity value
Capital Instruments	No Impact	N/A

Further adjustments to the calculated capital based on scalars used in the Sensitivity analysis and other selected adjustments to calculated capital can also be considered (see Company Input section). Other potential user driven adjustments may be added to the template using the Optional Inputs section in the Stress Inputs tab. Desired inputs will automatically be brought into in the new Stress Summary tab

**108.113. Outputs:** The GCC template will be configured to automatically calculate outputs and resulting GCC ratios using the inputs above at varying levels of stress (e.g., 10%, 20% etc.) including the impact on the allowance for qualifying debt. This can be presented on an additive basis (e.g. start with reduction in available capital alone and then add the impact on each entity type's calculated capital one at a time building to the full scenario outlined in the chart, above.

Additional Information:

**114.** Although the impact on adjusted carrying value in this scenario is generic in nature, generic assumptions cannot be prescribed. Assumptions vary by industry and product mix as the underlying cause and the effect on the adjusted carrying value varies group to group. Therefore, each group submitting data should provide a high- level narrative describing the unique assumptions used in conjunction with the corresponding stress level applied to decrease in available capital and calculated capital.

**109.115.** The narrative should be submitted with the completed template.

**Note:** a placeholder has been added to Input 6 in the GCC Template to capture the narrative.



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May 10, 2021

Mr. John Rehagen  
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[via e-mail to [lfelice@naic.org; ddaveline@naic.org](mailto:lfelice@naic.org; ddaveline@naic.org)]

**Re: Feedback on the Stress/Scenario Proposal for the GCC Trial Implementation  
(Attachment B)**

Dear Mr. Rehagen,

The ACLI appreciates the opportunity to respond to the NAIC Group Capital Calculation ("GCC") working group's Stress/Scenario Proposal for the GCC Trial Implementation (Attachment B). ACLI is grateful for the efforts the NAIC has gone to perform a trial implementation period this summer. We believe that an appropriate quantitative analysis on how the limits on capital instruments operate in stress environment may provide insight on whether linking the limits to available capital could generate procyclical effects. Our comments are intended to provide constructive feedback on both the quantitative and qualitative elements of the stress/scenario proposal. If adopted, we believe that our feedback has the potential to strengthen value that regulators receive from the data collected in the quantitative stress analysis and the qualitative narrative. At a high-level, our recommendations include:

- Adding a 30% quantitative stress to simulate a decline from, 400% CAL RBC to 275% CAL RBC.
- Aligning the qualitative narrative with the quantitative stress test by using it to identify other circumstances when elements of the GCC may behave procyclically.

*Feedback on the quantitative stress / scenario test – include a 30% stress to better approximate a severe economic stress event*

[Attachment B](#) proposes a simple quantitative "stress test" to the GCC template. To run the test, the template automatically decreases the amount of available capital in an entity by 10 to 20% to determine how the GCC's limits on the recognition of capital instruments as capital behave under stress. Some, including ACLI, have expressed concern that tying the limits to the amount of available capital could generate a procyclical effect in times of stress. In a stressed environment, a decline in available capital will reduce the level of the

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recognized capital instruments at the same time companies may need to rely on them to weather the market volatility.

We are concerned that a 10-20% decrease may not capture the impact of a stress event. We recommend adding a 30% decrease in available capital into the template because it is more likely to capture the impact of a stressed environment that leads to a significant drop in available capital. A 30% decrease in available capital corresponds more closely with a drop from 400% CAL RBC to 275% CAL RBC.<sup>1</sup> This would put the stress about halfway from 400% to the trend test level of 150% CAL (or 300% ACL RBC). Based on our analysis, we believe that a 30% decrease is more likely to correspond with a real-life economic shock or severe market downturn. We are concerned that the proposed stressors of 10-20% is unlikely to demonstrate how the limits on capital instruments will perform during periods of severe economic stress. Thus, we strongly recommending either resetting the stressed factor to 30%, or at a minimum, adding a 30% decline to the template.

#### *Recommendations regarding the qualitative narrative*

We recommend the qualitative narrative be used as a vehicle for companies to:

- Expand on the data provided in the quantitative stress analysis, and/or
- Identify any other elements of the GCC that they believe may behave in a procyclical fashion, and provide examples of the circumstances when the procyclicality was likely to occur, as well as any suggested improvements.

We think our approach would provide regulators with more meaningful data, than the current proposal which appears to be requesting companies to provide examples of events/scenarios could cause the company to suffer a symmetrical decline in available capital.

#### **Conclusion**

Thank you for your time and consideration. As always, we would be happy to discuss our comments with you or your staff, at your convenience.

Sincerely,

*Kristin Abbott*

Kristin Abbott

*Mariana Gomez*

Mariana Gomez

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<sup>1</sup>  $125\%/400\% = 31\%$

Draft: 5/4/21

Group Capital Calculation (E) Working Group  
Virtual Meeting  
April 27, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met April 27, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Carrie Mears (IA); Kevin Fry (IL); John Turchi and Christopher Joyce (MA); Judy Weaver (MI); Barbara Carey (MN); Jackie Obusek (NC); Justin Schrader (NE); Dave Wolf (NJ); Bob Kasinow (NY); Tim Biler (OH); Greg Lathrop (OR); Melissa Greiner and Kimberly Rankin (PA); Trey Hancock (TN); Mike Boerner (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. Discussed Comment Letters Received for Edits to the GCC Instructions

Mr. Rehagen stated that three comment letters had been received (Attachment Two-C1) from interested parties, and he asked Lou Felice (NAIC) to first summarize the process for addressing the comments and then the commenters to briefly summarize any remaining concerns. Mr. Felice stated that the letter from Mariana Gomez-Vock (American Council of Life Insurers—ACLI) focused on the ACLI's continued support for developing scalars for foreign insurers. He stated that Ms. Gomez-Vock will elaborate. The other two letters from America's Health Insurance Plans (AHIP) and The Travelers Companies Inc. (Travelers) contained some initial general comments and several specific revisions to the existing language in the instructions. Mr. Felice stated that the commenters will elaborate on the general comments, but most of the specific comments were addressed and sent to the commenters for their review, resulting in the version of the instructions that is included in the meeting materials (Attachment Two-C2). One additional requested revision was received from Travelers and will be accepted.

Ms. Gomez-Vock stated that the ACLI letter was to confirm deletion of the opportunity to submit group specific scalars and express support for the NAIC's activities toward recommending scalars for foreign insurers in both the group capital calculation (GCC) and the Insurance Capital Standard (ICS) – Aggregation Method (AM) being developed by the International Association of Insurance Supervisors (IAIS). Tom Finnell (AHIP) stated that the majority of its specific comments were addressed, but a few remain. With regard to AHIP's overarching comment, he stated that the instructions should be improved in response to questions from groups participating in the Trial Implementation. He stated that the use of examples would enhance the clarity of the instructions. Mr. Rehagen stated that using input from the Trial participants is a good way to make improvements to the instructions. Mr. Felice agreed that questions could be used to embed examples as the Trial is going on. Mr. Finnell also suggested that the process for getting the comments needs to be set up before the Trial begins. Mr. Felice stated that a question and answer (Q&A) process could be established along the line of the prior GCC Field Test. Ralph Blanchard (Travelers) stated that the Excess Relative Ratio sensitivity analysis may overstate the required capital, and more clarity on the source of Authorized Control Level risk-based capital (RBC) and examples are needed. Ned Tyrrell (NAIC) stated that the examples are forthcoming.

Mr. Rehagen provided an update on the International Insurance Relations (G) Committee's work on scalars, which was raised in the ACLI letter. He stated that work continues on the development of an appropriate scalar approach for use in the AM ICS and in the GCC. Further evaluation is required, including the review of a recently released paper by the American Academy of Actuaries (Academy) and developments at the IAIS regarding comparability of the AM. Mr. Rehagen noted that it is unlikely that the scalar methodology will be finalized this year; consequently, there is currently nothing to add to the GCC Trial template. The GCC Trial Implementation will continue to be based on an unscaled calculation at 200% of the Authorized Control Level. Sensitivity tests will include the GCC ratio scaled using the Excess Relative Ratio approach at both 200% and 300% of the Authorized Control Level.

Mr. Rehagen asked if there were objections to exposing the latest version of the edited GCC instructions and template until May 10. There were no objections, and NAIC staff were directed to expose the document through the close of business on May 10.

2. Discussed a Proposed Scenario Test in 2021 GCC Trial Implementation

Mr. Rehagen relayed that himself and Ms. Belfi held two calls with several insurance trade groups and some of their members to discuss their concerns and expectations for stress scenarios to be applied in the template to address procyclicality and other

concerns about how the adopted GCC would behave under stressed conditions. During the first call, most of the participants focused on how the allowance for qualifying debt reacts to financial stress, leaving RBC required capital unadjusted, and applying stress scenarios that are not complex and could easily be incorporated into the GCC Trial template prior to the start of the Trial Implementation. As a result, the proposed stress scenario document in the materials (Attachment Two-C3) represents what NAIC staff suggest so far for inclusion in the Trial template, and it was presented during the second call with the expectation that there would be further comments today. Mr. Felice outlined the logic behind adjusting available and calculated capital by a specified percentage in a simplified and standardized approach. He stated that to avoid complexity, specific scenarios that may drive changes in available or calculated capital are not included. Via WebEx, Mr. Tyrrell presented the exhibits to be used in the GCC template to add the stress scenarios. He stated that the percentage of adjustment could be varied, and the necessary data would be populated from other parts of the template with no additional direct data entry required.

Mr. Rehagen asked Ms. Belfi to offer some state insurance regulator comments. She agreed that the work done so far was designed to avoid any additional burden on the groups preparing the template, but it provided little value to state insurance regulators without additional narrative information. She proposed that a high-level narrative would accompany the standardized stress scenario to indicate what each group sees as the potential drivers behind the change in available and calculated capital without requiring additional data. Mr. Blanchard agreed that as set up, the stress scenario would not account for differences in the drivers for adjustments to capital, which vary by group. Ms. Belfi responded that the narrative would address the unique drivers for each group.

Mr. Rehagen asked if there were objections to exposing the stress scenario document and related additions to the GCC template additions concurrently with the instructions until May 10. Mr. Finnell asked if the narrative concept will be included in the exposure, possibly with a later due date for comments on that issue. In response to Mr. Rehagen's question on whether the narrative could be added to the exposed materials, Mr. Felice stated that several sentences could be added to the proposal document to cover the narrative, and a tentative place to capture the narrative could be added to the template in the next day or two after consulting with Ms. Belfi on the wording for requesting the narrative. Comments could then be submitted on that issue as well. Mr. Rehagen stated that comments on whether the narrative can be shared with the NAIC can be included as well. There were no further comments or objections. NAIC staff were directed to expose the materials through the close of business on May 10.

### **3. Discussed Next Steps Toward the Start of the 2021 GCC Trial Implementation**

Mr. Rehagen outlined the steps to get to the start of the Trial. He stated that first, the instructions need to be finalized based on the discussion under agenda item #1, and whether stress scenarios will be included in the Trial template per the discussion under agenda item #2 needs to be determined. He added that currently, 24 volunteers willing to have the state share data on a confidential basis with the NAIC have been identified by state insurance regulators in 12 lead-states thus far. He stated that it needs to be known soon if there are any more volunteers out there. Confidentiality agreement templates will be going out to the lead-states in the next week or so for their review and other edits (e.g., statutory confidentiality provisions). Mr. Rehagen stated that it was previously agreed that the submissions will be due by July 31, and the goal is to have everything in place for the Trial no later than the end of May.

### **4. Discussed Other Matters**

Mr. Rehagen stated that the next Working Group call would be held on or about May 17.

Having no other business, the Group Capital Calculation (E) Working Group adjourned

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**Mariana Gomez-Vock**

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April 16, 2021

Mr. John Rehagen  
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301 W. High St., Room 530  
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[via e-mail to [lfelice@naic.org](mailto:lfelice@naic.org)]

**Re: Clarifying edits to the Group Capital Calculation (“GCC”) instructions and template**

Dear Mr. Rehagen,

The ACLI appreciates the opportunity to respond to the NAIC Group Capital Calculation (“GCC”) working group’s proposed edits to the GCC instructions and templates (dated March 22, 2021). ACLI supports the ongoing work by GCC Working Group members and NAIC staff to refine the instructions and template, as well as the Working Group’s decision to perform a quantitative analysis of the GCC methodology during the “trial implementation period.”

Our comments are limited to the proposed elimination of the option for companies to report data in the template that would support of the creation of jurisdiction-specific scalars for risk-sensitive regimes (GCC Instructions, section 79, p. 42). The ACLI is writing to express support for the ongoing collaboration of the NAIC “G” Committee and GCC Working Group regarding the development of scalars for as many risk-sensitive insurance regimes, as possible. We encourage the G Committee and GCC Working Group to expose the scalar methodology for comment prior to adoption into the GCC.

**ACLI supports the development of scalars for risk-sensitive insurance regimes.**

Scalars are a critical component of an aggregated group capital calculation, because they are necessary to equate the local capital requirement to an adjusted capital level that is comparable to U.S. levels. In plain language, jurisdiction-specific scalars are needed to create meaningful results in an aggregation method, like the GCC. The template provides jurisdiction-specific scalars for 7 jurisdictions: Australia; Bermuda; Canada; the European Union (Solvency II); Japan; Switzerland; and the United Kingdom

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(Solvency II). However, some ACLI members have significant insurance operations in risk-sensitive jurisdictions outside of those 7 jurisdictions. Companies with insurance operations in other non-U.S. jurisdictions will enter 1.0 (100%) as a placeholder scalar, which is unlikely to fully reflect differences in accounting, conservatism in reserves, or available capital. The lack of a scalar for these jurisdictions could have a meaningful impact on these companies GCC ratios. As such, ACLI continues to support the development of scalars for all risk-sensitive regimes. If publicly available industry data is not readily available but is necessary to calculate a scalar, then we encourage the NAIC to consider the use of credible, non-public data.

**ACLI supports the coordination between the GCC Working Group and G Committee and the exposure of the final selected scalar methodology prior to incorporation into the GCC.**

In March 2021, the GCC template was modified to eliminate the option for companies to provide scalar suggestions for risk-sensitive jurisdictions that currently lack a jurisdiction-specific scalar in the GCC template. It is our understanding that the removal of this option to submit data for additional jurisdiction-specific scalars is not intended to foreclose the development of scalars for additional jurisdictions. Instead, the change was made to remove optionality from the template, as well as to clarify that further work on scalars is dependent on the decisions made by the G Committee with respect to scalars incorporated into the U.S. Aggregation Method. The G Committee has partnered with the American Academy of Actuaries to produce a white paper examining the strengths and weaknesses of a variety of different scalar options.

ACLI looks forward to hearing the results of the Academy's research. We strongly encourage the G Committee and GCC Working Group to expose the proposed scalar methodology for review and comment by stakeholders prior to final adoption by the pertinent NAIC Committee. Depending on the methodology selected, we also encourage the NAIC to invite stakeholders to submit recommendations identifying additional jurisdictions with risk-based regimes, that should be considered for scalar development.

Thank you, again for the opportunity to comment on the revisions to the GCC Instructions and Template. As always, we are happy to answer any questions you may about our comments.

Sincerely,

*Mariana Gomez-Vock*

Mariana Gomez-Vock

Cc: Commissioner Gary Anderson, Chair, "G" Committee; Director Bruce Ramge, Vice-Chair, "G" Committee



April 16, 2021

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**Re: Revisions to the Instructions and Template for the 2021 GCC Trial Implementation**

Gentlemen:

America's Health Insurance Plans (AHIP) appreciates the opportunity to comment on the draft revisions to the Group Capital Calculation (GCC) Instructions and Template which, when finalized, will be used for the upcoming 2021 “Trial Implementation” exercise.

AHIP’s comments on the proposed revisions to the Instructions are included in “comment bubbles” in the attached version of the document, where they can best be read in the full context of the passages to which they relate. We hope these are self-explanatory, but also emphasize an overarching point: Where possible, the instructions should clearly state where the data needs to reconcile to, or match with, data included in other NAIC-filed documents. In some cases, the instructions do offer that degree of specificity, e.g., for some of the entries described in paragraph 57, as well as the tables shown in paragraphs 60 and 67. However, a similar level of detail is not stated in other cases (for example, also in paragraph 57, are the exact sources and line items for premiums written and “book assets” which are not stated, even in the case of U.S. insurers).

There is another overarching comment that we would like to offer. As you are aware, several of AHIP’s members participated in the prior field test exercise and in closely monitoring the changes to the instructions that were made by the GCC Working Group leading up to the NAIC’s adoption of the GCC late last year. Based on that experience, they observed that the instructions could benefit from a more thorough review and restructuring to better organize the flow of the material presented and to make it easier for all to read and to clearly understand. For an example, organization of the instructions should enable easy cross-reference between the instructions and

the template, with guidance for the source(s) of individual inputs easily referenced (while there are examples where this has been done in the instructions, it has not been consistently followed throughout).

Some members also offer that a documented example/case study populated with anonymized data would be very helpful to illustrate the points that are made in the text.

In contrast, the proposed revisions which are the subject of the current exposure appear to be more “incremental” in nature, addressing the clarity of specific passages in the text; they do not rise to the level of a more comprehensive restructuring as envisioned by our members. That said, it is not pragmatic to attempt such a comprehensive review effort without simultaneously using the instructions to populate the template, e.g., as would occur with the upcoming Trial Implementation exercise. This is consistent with AHIP’s comment to the GCC Working Group on its call of January 28, 2021, i.e., that additional clarity to the instructions should be an additional stated purpose of the 2021 GCC data collection.

Such an effort for a lengthy technical document such as the GCC Instructions would be a huge task for any individual. On the other hand, having all Trial Implementation participants participate in a drafting effort would be unwieldy. Like some other efforts undertaken by the NAIC, it would seem appropriate to identify a smaller subgroup to do the drafting. We suggest a subgroup that is jointly comprised of regulator and industry representatives.

However, for such a subgroup to successfully fulfill its task we would propose there be a process in place as part of the Trial Implementation whereby comments or questions about the clarity or meaning of the instructions, from any participant – whether staff of a participating insurance group or a lead state – and resulting from their attempt to complete, approve, or otherwise use the template and its information, be funneled to a central source, reviewed, and redacted as need be to assure anonymity, and then made available to the subgroup. Drafting would likely occur after the Trial Implementation is completed, but with the objective to have an improved document available for actual implementation based on year-end 2022 reporting.

AHIP suggests that the GCC Working Group consider such a comprehensive re-draft effort and, if a subgroup is appointed, AHIP would be glad to be represented, directly as well as through participation by some of our members.

We hope that you will find our comments constructive as intended and would be glad to address any questions you may have.

Sincerely,

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April 16, 2021

Mr. John Rehagen, Chairman  
Group Capital Calculation (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

RE: Exposed revisions to the Draft Group Capital Calculation (GCC) Instructions and Template

Dear Mr. Rehagen:

The Travelers Companies, Inc. (Travelers) appreciates the opportunity to comments on the draft GCC Instructions and Template and thanks the Working Group for their continuing progress in making the GCC an effective tool for analyzing the solvency of an insurance group.

### General Comments

When discussing the use of the Company Action Level (CAL), the instructions should clarify that the CAL with the operational risk charge included is being used. RBC filings show two different CAL values, one with and one without the operational risk charge. Additionally, there should be a description as to which “industry” results will be used. The straight sum of industry values for Total Adjusted Capital and Authorized Control Level (ACL) or CAL will include double counting of values for subsidiaries of RBC filers. This will be more of an issue for property & casualty(P&C) companies, as they are more likely to have numerous subsidiaries in their groups. We estimate that the industry RBC ratio for the U.S. P&C industry may be 3.5% to 4% overstated due to this double-counting.

We believe it would be helpful to provide a discussion of the Excess Relative Ratio (ERR) so that both regulators who are reviewing a GCC filing and insurers that are completing the GCC template understand the conceptual intent of the ERR. Our understanding of the ERR is as follows:

- The main assumption is that the amount of capital held in excess of the requirement will be the same for all countries.

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- The first step is to adjust the other country's capital requirement to an equivalent "first level of intervention" stage as the US. (This can be very judgmental, as witnessed by the debate as to whether or not this is the trend test level for the U.S. The first intervention level may be subject to interpretation for both the U.S. and for the other country.)
- From here on, the basic premise is that even though the industry average in all countries is capitalized at the same sufficiency level (as measured by the excess over the requirement), the "requirement" that is being looked at is impacted by differences in local jurisdictional accounting/reporting rules. The assumption is that these differences are a function of risk size and not capital size, i.e., the amount of required capital and held capital is impacted by the same dollar amount by this accounting conservatism for a given risk size. As a result, the ERR calculates a fixed amount to subtract from (or add to) both held capital and required capital so that an average company in the other jurisdiction would have the same RBC ratio as the average in the U.S.
- The actual conservatism may in fact not be a fixed amount for a given risk size but may also vary by the amount of capital.

We don't believe this concept is intuitive as shown in the instructions and recommend that the instructions illustrate that, if applied to a company with the same ratios as the industry average in the Country A example, the resulting capital ratio after these adjustments would be the same as the U.S. life average.

### **Detailed Comments**

We also offer the following detailed comments on the instructions:

- Paragraph 8 – Please clarify or re-word the following sentence:

"In general Schedule A and Schedule BA affiliates will otherwise remain as investments of a Parent insurer will be reported as Parent of the value and capital calculation of the Parent insurer."
- Paragraph 18 – We suggest the following edit for clarification:

"Risk emanating from a non-insurance/non-financial entity not owned by an insurer but part of the Broader Group that is of a magnitude that could adversely impact the financial stability of the group as a whole such that the ability of insurers within a group to pay policyholder claims or make other policy related payments (e.g., policy loan requests or annuity distributions) may be impacted."

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- Paragraph 22 – We suggest the following edit:

“This is the entity that exercises control directly or indirectly over all entities within the Broader Group.”
- Paragraph 29 – We suggest the following edits:

“Include all entities that meet the definition of an affiliate in Section IIz above and that that fit the criteria...”
- Paragraph 38 – We suggest the following edits:

“Except as noted in the “Inventory” tab, equity method investments that are...”
- Paragraph 51 – In the Schedule 1 instructions, paragraph 51 refers to the completion of Schedule 1A. However, Schedule 1A does not contain any of the blue-shaded preparer input cells.
- Paragraph 56 [Sch 1B Col 16] “Is Affiliates on Schedule A or Schedule BA” – This paragraph includes the following instruction: “Column is meant to identify an entity with a financial entity identifier in Column 8 that is otherwise reported on Schedule A or Schedule BA but is being moved to this Schedule.” Please clarify the phrase “being moved to this Schedule” (i.e., please explain where these are being moved from).

In addition, the Instructions are not clear as to whether non-financial/non-insurance Schedule A and Schedule BA affiliates should or should not be included in any of the input areas of the GCC template. Paragraph 8 states: “For purposes of the GCC, affiliates will NOT include those affiliates reported on Schedule A or Schedule BA, EXCEPT in cases where there are financial entities reported as or owned indirectly through Schedule A or Schedule BA affiliates.” It would be helpful to include the following general instruction:

“Non-financial/noninsurance Schedule A and Schedule BA affiliated are excluded from the scope of the GCC and are not required to be captured in any of the SCC template tabs.”

However, if that is not the intent, the GCC instructions need to clarify specifically where data pertaining to such entities must be input in the GCC template.

- Paragraph 57 – We do not understand why affiliated assumed and ceded reinsurance needs to be captured in the GCC template, especially if such data does not impact the GCC ratio.
- Paragraph 57 [Sch 1C Col 8] “Gross Paid-in and contributed Capital and Surplus” – As the title of this instruction uses statutory accounting terminology, we assume that

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the column should only be completed for U.S. Insurance entities. Therefore, the GCC instructions should clarify the scope of this column.

- Paragraph 58 [Sch 1D Col 2] Prior Year Equity or Capital and Surplus – This paragraph includes the following instruction: “Do not report values for non-insurance/non-financial entities owned directly or indirectly by RBC filers or owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity.” Paragraph 54 states: “Values for, non-insurance/non-financial subsidiaries of U.S. RBC filers may remain with their Parent insurers and will not be de-stacked. Entries for these individual entities in the grouping will be reported in Schedule 1B only as “included.”, but no stand-alone values for each entity would be required.”

One can read the paragraph 54 instruction as requiring entries for non-insurance/non-financial subsidiaries of U.S. RBC in Schedule 1B only, and not required in Schedules 1C or 1D. However, it is confusing to see the above instruction that scopes out these entities in Paragraph 58 [Sch 1D Col 2] but not in other column instructions in paragraph 58. We believe that further clarification is needed as to where in the GCC template data is required for such non-insurance/non-financial subsidiaries.

- Paragraph 60 – The following sentence appears to contain extraneous words or a grammatical error: “A sensitivity analysis is included to calculate to reflect the impact of excluded entities requested but not approved for exclusion by the lead state.”
- Paragraph 61 [Inv C Col 2] Entity Required Capital (Local Regime) - We suggest the following edit for clarification:

“However, if such an entity has been listed in **[Sch1B Col 2] Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then report the capital calculation in accordance with entity instructions (per the “Additional clarification on capital requirements where a formula is required” instructions below), but the ultimate calculation will show the results without the excluded entity’s capital calculation.”

- Paragraph 74 - For the Sensitivity Analysis tab, it is not clear which entities’ information is required to be entered in this tab. The scope related to this tab should be clarified. Based on the instructions in this section, it appears that data is only needed for entities which have prescribed or permitted practices, as well as captive entities. To avoid confusion and ensure consistency in application, this should be clarified.

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- Paragraph 74 - We suggest the following edit for clarification:

“The sensitivity analysis is calculated in the “Summary 2” tab. Most inputs for the analysis are populated from other tabs as described below and carried into the analysis which are reported in the “Summary 2” tab. However certain analysis requires inputs from this tab. Inputs are required in this tab for Analysis 3, Analysis 4, Analysis 8, and Analysis 9 automatic calculations in the “Summary 2” tab.”

- Paragraph 79 – This paragraph includes the following instruction: “The tab also includes a listing of all Schedule A and Schedule BA affiliates, along with the following information...” Paragraph 8 states: “For purposes of the GCC, affiliates will NOT include those affiliates reported on Schedule A or Schedule BA, EXCEPT in cases where there are financial entities reported as or owned indirectly through Schedule A or Schedule BA affiliates.” Therefore, it appears that only Schedule A and Schedule BA entities that are “financial” affiliates are required to be included in this section. Therefore, we recommend the following clarification:

“The tab also includes a listing of all Schedule A and Schedule BA financial affiliates, along with the following information...”

- Paragraph 90 – the first line of paragraph 90 has a “.” after “populated” that should be deleted.

## Summary

In summary, we support the Working Group’s effort to complete the GCC Instructions and Template and look forward to the discussion of comments during the Group’s next meeting. If you have any questions or would like to discuss our comments, please feel free to call me at (860) 277-0537.

Sincerely,



D. Keith Bell

cc: Dan Daveline, NAIC staff



## **NAIC GROUP CAPITAL CALCULATION INSTRUCTIONS**

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## I. Background

1. In 2015, the ComFrame Development and Analysis (G) Working Group held discussions regarding developing a group capital calculation (GCC) tool. The discussions revealed that developing a GCC was a natural extension of work state insurance regulators had already begun, in part driven by lessons learned from the 2008 financial crisis which include better understanding the risks to insurance groups and their policyholders. While insurance regulators currently have authorities to obtain information regarding the capital positions of non-insurance affiliates, they do not have a consistent analytical framework for evaluating such information. The GCC is designed to address this shortcoming and will serve as an additional financial metric that will assist regulators in identifying risks that may emanate from a holding company system.
2. More specifically, the GCC and related reporting provides more transparency to insurance regulators regarding the insurance group and make risks more identifiable and more easily quantified. In this regard, the tool assists regulators in holistically understanding the financial condition of non-insurance entities, how capital is distributed across an entire group, and whether and to what degree insurance companies may be supporting the operations of non-insurance entities, potentially adversely impacting the insurance company's financial condition or policyholders. This calculation provides an additional analytical view to regulators so they can begin working with a group to resolve any concerns in a manner that will ensure that policyholders of the insurers in the group will be protected. The GCC is an additional reporting requirement but with important confidentiality protections built into the legal authority. State insurance regulators already have broad authority to take action when an insurer is financially distressed, and the GCC is designed to provide Lead State Regulators with further insights to allow them to reach informed conclusions on the financial condition of the group and the need for further information or discussion.
3. State insurance regulators currently perform group analysis on all U.S. insurance groups, including assessing the risks and financial position of the insurance holding company system based on currently available information; however, they do not have the benefit of a consolidated statutory accounting system and financial statements to assist them in these efforts. It was noted prior to development that a consistent method of calculating group capital for typical group risks would provide a useful tool for state financial regulators to utilize in their group assessment work. It was also noted that a GCC could serve as a baseline quantitative measure to be used by regulators in to compliment the view of group-specific risks and stresses provided by the Own Risk and Solvency Assessment (ORSA) Summary Report filings and in Form F filings that may not be captured in legal entity filings.
4. During the course of several open meetings and exposure periods, the ComFrame Development and Analysis (G) Working Group considered a discussion draft which included three high-level methodologies for the GCC: a risk-based capital (RBC) aggregation approach; a statutory accounting principles (SAP) consolidated approach; and a generally accepted accounting principles (GAAP) consolidated approach. On Sept. 11, 2015, Working Group members unanimously approved a motion to move forward with developing a recommendation for a GCC and directed an appropriate high-level methodology for the recommendation.

5. At a ComFrame Development and Analysis (G) Working Group meeting held Sept. 24, 2015, pros and cons for each methodology were discussed, and a consensus quickly developed in support of using an RBC aggregation approach if a GCC were to be developed. The Executive (EX) Committee and Plenary ultimately adopted the following charge for the Financial Condition (E) Committee:

*“Construct a U.S. group capital calculation using an RBC aggregation methodology; liaise as necessary with the ComFrame Development and Analysis (G) Working Group on international capital developments and consider group capital developments by the Federal Reserve Board, both of which may help inform the construction of a U.S. group capital calculation.”*
6. The RBC aggregation approach is intended build on existing legal entity capital requirements where they exist rather than developing replacement/additional standards. In selecting this approach, it was recognized as satisfying regulatory needs while at the same time having the advantages of being less burdensome and costly to regulators and industry and respecting other jurisdictions' existing capital regimes. In order to capture the risks associated with the entire group, including the insurance holding company, RBC calculations would need to be developed in those instances where no RBC calculations currently exist.
7. In early 2016, [TF1][FL2]the Financial Condition (E) Committee appointed the Group Capital Calculation (E) Working Group, which began to address its charge and various details of the items suggested by the ComFrame Development and Analysis (G) Working Group. The instructions included herein represent the data, factors, and approaches that the Working Group believed were appropriate for achieving such an objective. The GCC instructions and template are intended to be modified, improved, and maintained by the NAIC in the future as are the *Accounting Practices and Procedures Manual*, the *Annual Statement Instructions* and the *Risk-Based Capital Formula and Instructions*. This includes, but is not limited to, future disclosure of additional items developed or referred by other NAIC committees, task forces and/or working groups.
8. In December 2020, amendments to NAIC Model Law (#440) and Model Regulation (#450) were adopted to provide States with legislative language to fully implement the GCC as an annual filing. The Model specifies what groups are exempted from the GCC filing requirement and the circumstance under which a limited filing may be submitted. For such information reference should be made not to these instructions, rather to the models and, more specifically, to how they are implemented into laws and regulations of a Lead State.

## II. Definitions

- 8.9. **Affiliate:** As used in Model #440, an “affiliate” of, or person “affiliated” with, a specific person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. For purposes of the GCC, affiliates will NOT include those affiliates reported on Schedule A or Schedule BA, EXCEPT in cases where there are insurers or other financial entities reported as or owned indirectly through Schedule A or Schedule BA affiliates. In generalAll other Schedule A and Schedule BA affiliatesinvestments will otherwise remain as investments of a Parent insurer will be reported as Parent of the value and capital calculation of the Parent insurer. A full list of Schedule A and BA entities will be reported as described in the instructions for Input 6 – Questions and Other Information. [FL3]Any entities that would otherwise qualify as Schedule BA affiliates as described above but are owned by other entities (e.g., foreign insurers or other type of Parent entity) should be treated in the same way.

**9.10. Broader Group:** The entire set of legal entities that are controlled by the Ultimate Controlling Person of insurers within a corporate group. When consider the use of this term, all entities included in the Broader Group should be included in Schedule 1 and the Inventory, but only those that are denoted as “included” in the Schedule 1 will be considered in the actual GCC.

**10.11. Control:** As used in the Model #440, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or non-management services, or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, ten percent (10%) or more of the voting securities of any other person. This presumption may be rebutted by a showing made in the manner provided by Section 4K of Model #440 that control does not exist in fact. The commissioner may determine, after furnishing all persons in interest notice and opportunity to be heard and making specific findings of fact to support the determination, that control exists in fact, notwithstanding the absence of a presumption to that effect.

**11.12. Cross-Support Mechanism:** ~~For purposes of evaluating material risk, Depending on the nature of the transaction and the specific circumstances, evaluating material risk A cross-support mechanism is an agreement or transaction that creates a financial interdependence. Depending on the nature of the transaction and the specific circumstances, these mechanisms may pose material risk~~ These may include corporate guarantees, capital maintenance agreements (regulatory or ratings based), letters of credit, intercompany indebtedness, bond repurchase agreements, securities lending or other agreements or transactions that create a financial interdependence or link between entities in the group. ~~[TF4][FL5][TF6][FL7]~~

**12.13. Entity Not Subject to A Regulatory Capital Requirement:** ~~This is a financial entity other than an entity that is subject to a specified regulatory capital requirement~~

**13.14. Financial Entity:** A non-insurance entity that engages in or facilitates financial intermediary operations (e.g., accepting deposits, granting of credits, or making loans, managing, or holding investments, etc.). Such entities may or may not be subject to specified regulatory capital requirements of other sectoral supervisory authorities. For purposes of the GCC, entities that are not regulated by an insurance or banking authority [e.g., the U.S. Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA)] will be considered as not subject to a specified regulatory capital requirement.

The primary examples of financial entities are commercial banks, intermediation banks, investment banks, saving banks, credit unions, savings and loan institutions, swap dealers, and the portion of special purpose and collective investment entities (e.g., investment companies, private funds, commodity pools, and mutual funds) that represents the Broader Group’s aggregate ownership in such entities, whether or not any member of the Broader Group is involved in that entity’s management responsibilities (e.g., via investment advisory or broker-dealer duties) for those entities.

For purposes of this definition, a subsidiary of an insurance company whose predominant purpose is to manage or hold investments or act as a broker-dealer for those investments on behalf of the insurance company and its affiliated insurance (greater than 90% of all such investment subsidiaries’ assets under management or held are owned by or for the benefit of these insurance affiliates) should NOT be considered a Financial Entity. In the case where an insurer sets up multiple subsidiaries for this purpose, the 90% may be measured in the aggregate for all such entities. Similarly, in the case of collective investment pools (e.g., private funds,

commodity pools, and mutual funds) the 90% may be measured individually, or in the aggregate for each subtype (e.g., private funds, commodity pools, and mutual funds).

In addition, other financial entities without a regulatory capital requirement include those which are predominantly engaged in activities that depending on the nature of the transaction and the specific circumstances, could create financial risks through the offering of products or transactions outside the group such as a mortgage, other credit offering or a derivative.

**14.15. Insurance Group:** For purposes of the GCC, a group that is comprised of two or more entities of which at least one is an insurer, and which includes all insurers in the Broader Group. Another (non-insurance) entity may exercise significant influence on the insurer(s); i.e., a holding company or a mutual holding company; in other cases, such as mutual insurance companies, the mutual insurer itself may be the Ultimate Controlling Person. The exercise of significant influence is determined based on criteria such as (direct or indirect) participation, influence and/or other contractual obligations; interconnectedness; risk exposure; risk concentration; risk transfer; and/or intragroup agreements, transactions and exposures.

An Insurance Group may include entities that facilitate, finance or service the group's insurance operation, such as holding companies, branches, non-regulated entities, and other regulated financial institutions. An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control, and includes all members of the Broader Group that exercise significant influence on the insurance entities and/or facilitate, finance or service the insurance operations.

An Insurance Group could be headed by:

- An insurance legal entity;
- A holding company; or
- A mutual holding company.

An Insurance Group may be:

- A subset/part of bank-led or securities-led financial conglomerate; or
- A subset of a wider group.

An Insurance Group is thus comprised of the head of the Insurance Group and all entities under its direct or indirect control.

**15.16. Insurance Subgroup/U.S. Operations:** Refers to all U.S. insurers within a Broader Group where the groupwide supervisor is in a non-U.S. jurisdiction. It includes all the directly and indirectly held subsidiaries of those U.S. insurers. For purposes of subgroup reporting, capital instruments, loans, reinsurance, guarantees would only include those that exist within the U.S. insurers. Amounts included for the U.S. insurers shall include all amounts contained within the financial statements of those entities included in the subgroup reporting, whether those amounts are directly attributable or allocated to a company in the subgroup from an affiliate outside of the U.S. insurers and its direct or indirect subsidiaries.

**16.17. Lead State Regulator:** As defined in the *Financial Analysis Handbook*; i.e., generally considered to be the one state that "takes the lead" with respect to conducting groupwide supervision within the U.S. solvency system.

**17.18. Limited Group Capital Filing:** Refers to a GCC filing that includes sufficient data or information to complete the "Input 4 Analytics" tab and the "Summary 3 – Analytics" tab of the GCC template. This includes Schedule 1 of the template and may include limited data from other input tabs as deemed necessary for purposes of the analytics.

| 18.19. **Material Risk:** Risk emanating from a non-insurance/non-financial entity not owned by an insurer [in the Insurance Group or is part of the Broader Group] that is of a magnitude that could adversely impact the financial stability of the group as a whole such that the ability of insurers within a group to pay policyholder claims or make other policy related payments (e.g., policy loan requests or annuity distributions) may be impacted.

To determine whether an entity within the Broader Group poses material risks to the Insurance Group, the totality of the facts and circumstances must be considered. The determination of whether risk posed by an entity is material requires analysis of various aspects pertaining to the subject entity. A determination that a non-insurance/non-financial entity does not pose material risk allows the filer to request exclusion of that entity from the calculation of the GCC ratio in the “Inventory” tab. A number of items as listed below should be considered in making such a determination, to the extent they apply.

Caution is necessary, however. The fact that one or more of these items may apply does not necessarily indicate risk to the Insurance Group is, or is not, material. The group should be able to support its determination of material risk if requested by the Lead State Regulator. This should not be used as a checklist or as a scorecard. Rather, the list is intended to illuminate relevant facts and circumstances about a subject entity, the risk it poses, how the Insurance Group might be exposed to that risk and means to mitigate that risk.

Primary Considerations:

- Past experience (i.e., the extent to which risk from the entity has impacted the Insurance Group over prior years/cycles).
- The degree to which capital management across the Broader Group has historically relied on funding by the Insurance Group to cover losses of the subject entity.
- The existence of intragroup cross-support mechanisms (as defined below) between the entity and the Insurance Group.
- The means by which risk can be transmitted; i.e., the existence of sufficient capital within the entity itself to absorb losses under stress and/or if adequate capital is designated elsewhere in the Broader Group for that purpose.
- The degree of risk correlation or diversification between the subject entity and the Insurance Group (e.g., where risks of one or more entities outside the Insurance Group are potentially offset (or exacerbated) by risks of other entities) and whether the corporate structure or agreements allow for the benefits of such diversification to protect the Insurance Group.
- The existence and relative strength or effectiveness of structural safeguards that could minimize the transmission of risk to the Insurance Group (e.g., whether the corporate shell can be broken).

Other Considerations (*if primary considerations suggest exclusion may be reasonable, these can be used to further support exclusions*):

- The location of the entity in relation to the Insurance Group within the Broader Group’s corporate structure and how direct or indirect the linkage, if any, to the Insurance Group may be.
- The activities of the entity and the degree of losses that the entity could pose to the group under the current economic environment or economic outlook

The guidance above recognizes that there are diverse structures and business models of insurers that make it impracticable to apply a one-size-fits-all checklist that would work for materiality determinations across all groups. Strict or formulaic quantitative measures based on size of the

entity or its operations of a non-insurance affiliate are an insufficient proxy for materiality of risk to the insurance operations. The GCC Instructions thus consider the unique circumstances of the relevant entity and group and uses an interactive process whereby the group brings forward its suggestions as to entities that should be excluded from the scope of application for a discussion with the lead state, ultimately culminating in an agreement on the scope of application. The guidance in this section helps to facilitate that process and discussion with criteria for cross-support mechanisms that can potentially transmit material risk, as defined, to the Insurance Group as well as safeguards that can mitigate such risk or its transfer.

19.20. Person: As used in Model #440, a “person” is an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, an unincorporated organization, any similar entity or any combination of the foregoing acting in concert but shall not include any joint venture partnership exclusively engaged in owning, managing, leasing or developing real or tangible personal property.

20.21. Reciprocal Jurisdiction: As defined in the *Credit for Reinsurance Model Law* (#785).

21.22. Scope of Application: Refers to the entities that meet the criteria listed herein for inclusion in the GCC ratio. The application of material risk criteria may result in the Scope of Application being the same as, or a subset of, the entities controlled by the Ultimate Controlling Person of the insurer(s).

**NOTE:** U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator, otherwise in as much as they are already included in a reporting legal entity, they are already in the scope of application and there is no need for any additional reporting.

22.23. Ultimate Controlling Person: As used in the *Insurance Holding Company System Regulatory Act* (#440). This ~~is~~<sup>FL9</sup> the entity that exercises control directly or indirectly over all entities within the Broader Group.

### III. Exemptions and Determining the Scope of Application

#### A. Groups Exempted from the GCC ~~[TF10][FL11]~~

23.24. Refer to These instructions do not address groups that are exempt from completing the GCC; those matters are addressed instead within proposed changes to Model #440 for guidance on groups that are exempted from filing a GCC. Instead, instructions are provided to ensure Lead State Regulators receive the information necessary to evaluate the Scope of Application.

#### B. Scope of the Broader Group and Scope of Application – Legal Entity Inventory

24.25. When considering the scope of application, preparers of the GCC must first understand the information to be included in Schedule 1 of the template. When developing an initial inventory of all potential entities, the preparers of the GCC shall complete Schedule 1, which, except in the case of an Insurance Subgroup (as defined in Section II), requests data for all of the entities within the Broader Group ~~[TF12][FL13]~~ that are directly or indirectly owned by the Ultimate Controlling Person (including the Ultimate controlling Person) that are listed in the insurer’s most recent Schedule Y or in relevant Holding Company Filings. This will require the preparers of the GCC to provide complete basic information about each such entity in Schedule 1, including its total assets, and total revenue and net income for this specific year identified. Additionally, and the initial filing will require some further the same

information for the prior year (e.g., prior year equity or surplus to policyholders). The primary purpose of the Schedule 1 is to: 1) assist the lead state in making an assessment on the entities within the group that should be included in the Scope of Application; and 2) provide the lead state with valuation information to better understand the group. This valuable information produces various ratios and other financial metrics that will be used in the analysis of the GCC and the group by the lead state for their holding company analysis.

25.26. To assist the Lead State Regulator in assessing the Scope of Application, the Schedule 1 and the “Inventory” tab of the template will be completed by each preparer to provide information and certain financial data on all the entities in the group. Each preparer will also use the include/exclude column in Schedule 1 to request its own set of entities to be excluded from the calculation after applying criteria for material risk (as defined in Section II). The requests for exclusion which will be described by the preparer in the template and evaluated by the Lead State Regulator. A second column will be used by the regulator to reflect entities that the regulator agrees should be excluded.

26.27. Although all entities must be listed in Schedule 1 and in the “Inventory” tab, the preparer is allowed to group data for certain financial entities not subject to a regulatory capital requirement and certain non-insurance and non-financial entities. Thus, while the Schedule 1 would include the full combined financial results/key financial information (for all entities directly or indirectly owned by the Ultimate Controlling Person, such data may be reported based on major groupings of entities to maximize its usefulness, reduce ~~[TF14]~~ ~~[FL15]~~ the number of numeric entries, and allow the Lead State Regulator to better understand the group, its structure, and trends at the sub-group as well as group level. Criteria for grouping are further described in Section V, paragraph 55. Prior to completing the GCC annually, the Insurance Group should determine if the proposed grouping is satisfactory to the lead state or if there are certain non-insurance and non-financial entities (such entities are required to be broken out and reported separately) that should be broken out and reported separately.

#### C. General Process for Determining the Scope of Application

27.28. The starting point for “Scope of Application” (i.e., for purposes of the GCC specifically) is the entire group except in the case of an Insurance Subgroup (as defined in Section II). However, in the case of groups with material diverse non-insurance/non-financial activities isolated from the financial/Insurance Group and without cross-support mechanisms as defined in Section II, the preparer may request a narrower scope starting at the entity that controls all insurance and financial entities within the group [i.e., comprise a subset of, the entities controlled by ~~the~~ ~~[TF16]~~ ~~[FL17]~~ Ultimate Controlling Person of the insurer(s) (Broader Group)]. However, the adjustments as to the Scope of Application suggested by the preparer in consultation and in agreement with the Lead State Regulator should include consideration of guidance in paragraph 3129 (“Identify and Include all Financial Entities”) the totality of the facts and circumstances, as described in paragraph 19 (“Definition of material risk”). The rationale and criteria applied in allowing the reduced scope should be documented and made available to non-lead states if requested. The decision on reduced scope should be revisited when changes in the group structure or activities occur.

The fundamental reason for state insurance regulation is to protect American insurance consumers. Therefore, the objective of the GCC is to assess quantitatively the collective risks to, and capital of, the entities within the Scope of Application. This assessment should consider risks that originate within the Insurance Group along with risks that emanate from outside the Insurance Group but within the Broader Group. The overall purpose of this assessment is to better understand the risks that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims consistent with the primary focus of insurance regulators.

#### D. Guiding Principles and Steps to Determine the Scope of Application

28.29. For most groups, the Scope of Application is initially determined by the preparer in a series of steps, listed here and then further explained as necessary in the text that follows:

- Develop a full inventory of potential entities using the Inventory of the Group template (Schedule 1).~~[TF18][FL19]~~ This should correspond to Annual Statement Schedule Y, Part 1A
- Denote in Schedule 1 for each non-financial entity whether it is to be “included in or excluded from” the Scope of Application” using the criteria in the “Identify Risks from the Broader Group” subsection below.
- All non-financial ~~[TF20][FL21]~~entities, whether to be included in or excluded from the Scope of Application are to be reported in the “Inventory” tab of the template. Information to be provided for excluded entities will be limited to Schedule 1B and the corresponding columns in the Inventory tab. See paragraph 55 for additional information on treatment of non-insurance/non-financial subsidiaries of U.S. RBC filers or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity.
- Non-financial entities may qualify for grouping on this Inventory tab as described elsewhere in these instructions.

#### E. Steps for Determining the Scope of Application

29.30. Identify and list all entities in the Insurance Group or Insurance Subgroup (where required).

Include all entities that meet the definition of an affiliate in Section II, above and that ~~that~~<sup>[FL22]</sup> fit the criteria identified in the definition of the Insurance Group or Insurance Subgroup (if applicable), in Section II, above except as modified in paragraph 324 (Identify Risks from the Broader Group), below. All insurance entities and entities owned directly or indirectly by the insurance entities in the group shall be included in the Scope of Application and reported in the Schedule 1 and Inventory of the Group template. Other non-insurance/nonfinancial entities within the Insurance Group may be designated as “exclude” as described in paragraph 304.

30.31. Identify and include all Financial Entities.

Financial Entities (as defined in Section II) within the Inventory of the Group template shall be included in (i.e., may not be designated as “excluded from”) the Scope of Application, regardless of where they reside within the Broader Group.

As learned from the 2008 financial crisis, U.S. insurers were not materially impacted by their larger group issues; however, materiality of either equity or revenue of an entity might not be an adequate determinant of potential for risk transmission within the group. Furthermore, risks embedded in financial entities are not often mitigated by the activities of the insurers in the group and may amplify their (the insurers’) risks.

Any discretion in evaluating the ultimate risk generated by a defined financial entity that is not subject to a regulatory capital requirement should be applied via review of the material risk definitions/principles included in paragraph 197 to set the level of risk as low, medium or high and not to exclude such entities from the calculation. The rationale should be documented, and all data required in Schedule 1 must be provided for the entity for purposes of analysis and trending.

31.32. Identify Risks from the Broader Group

An Insurance Group or Insurance Subgroup may be a subset of a Broader Group, such as a larger diversified conglomerate with insurance legal entities, financial entities, and non-financial entities. In considering the risks to which the Insurance Group or Insurance subgroup is exposed, it is important to take account of those material risks (as defined in Section II) to the Insurance Group from the Broader Group within which the Insurance Group operates. All non-insurance/non-financial entities included within the Insurance Group or Insurance Subgroup that pose material risk to the insurers in the group should be included within (i.e., may not be designated as “excluded from”) the Scope of the Application. Similarly, all nNon-financial entities within the Broader Group but outside the Insurance Group that pose material risks to the Insurance Group should be included within (i.e., may not be designated as “excluded from”) the Scope of Application; non-material non-insurance/non-financial entities within the Broader Group or within the Insurance Group (as both terms are defined in Section II) other than those entities owned by entities subject to a specified regulatory capital requirement should be reported as “excluded.” However, no such entities outside an Insurance Subgroup (as defined in Section II) should be included in the GCC. When determining which non-financial entities from the Broader Group to include in the Scope of Application, the preparer must include any entity that could adversely impact the ability of the entities within the Scope of Application to pay policyholder claims or provide services to policyholders consistent with the primary focus of insurance regulators.

32.33. Review of Submission

The Lead State Regulator should review the ~~Inventory of entities provided in-e~~ [TF23] [FL24]the Group template to determine if there are entities excluded by the preparer using the criteria above that the Lead State Regulator agrees do not pose material risk (as defined herein) to its insurance operations. Additional information may be requested by the Lead State Regulator to facilitate this analysis. For entities where the Lead State Regulator agrees with the request to exclude, the GCC may exclude the data for such entities. Ultimately, the decision to include or exclude entities from the GCC will occur based on the Lead State Regulator’s knowledge of the group and related information or filings available to the Lead State and whether they believe an applicable entity would not adversely impact the entities within the Scope of Application to pay policyholder claims.

The template’s Asensitivity analysis ~~tab is~~ includes~~d a calculation to calculate~~ to reflect the impact of excluded entities requested, but not approved for exclusion by the lead state. (see instructions for Input 5 herein).

33.34. The preparer, together with the Lead State Regulator-, would use the above steps, which includes considering the Lead State Regulator’s understanding of the group, including inputs such as Form F, ORSA and other information from other involved regulators, to determine the reasonableness of the suggested Scope of Application.

34.35. Updating the Scope of Application

The Scope of Application could be re-assessed by the preparer and the Lead State Regulator each successive annual filing of the GCC provided there has been substantial changes in corporate structure or other material changes from the previous year’s filing. Any updates should be driven by the assessment of material risk and changes in group structure as they impact the exclusion or inclusion of entities within the Scope of Application based on material risk considerations.

## IV. General Instructions

35.36. The GCC template consists of a number of tabs (sections) within one workbook. The following provides general instructions on each of these tabs.

36.37. **Attestation:** This tab is intended to work similar to the annual financial statement and RBC attestations, which are both intended to give the regulator greater comfort that the company has completed in accordance with its (these) instructions. It will also indicate whether the group consists of predominantly life, P/C, or health insurers and whether the submission is a full or limited group capital filing.

37.38. **Input 1 – Schedule 1:** This tab is intended to provide a full inventory of the group, including the designation by the filer of any non-financial entities to be included in, or excluded from, the Scope of Application and include sufficient data or information on each affiliated entity (see Schedule A and Schedule BA exception as described in paragraph 39) within the group so as to allow for analyzing multiple options for scope, grouping and sensitivity criteria, as well as, allowing the Lead State Regulator to make a determination as to whether the entities to be included in the scope of application or excluded from the scope of application meet the aforementioned criteria. This tab is also used to maximize the value of the calculation by including various information on the entities in the group that allow the lead state to better understand the group as a whole, the risks of the group, capital allocation, and overall strengths and weaknesses of the group.

38.39. Except as noted, in on the “Inventory” tab, equity method investments reported in the Section 1B in the Inventory tab [FL25] that are accounted for [TF26] [FL27] based on *Statement of Statutory Accounting Principles (SSAP) No. 48—Joint Ventures, Partnerships and Limited Liability Companies* are not required to be de-stacked (separately listed) in Schedule 1; i.e., their value would be included in amounts reported by the Parent insurer within the calculation. The basis for this approach is predicated on the purpose of the entire GCC, which is to produce an expected level of capital and a corresponding level of available capital that are derived by aggregating the amounts reported of capital of the individual entities under the GCC methodology. The available capital for such joint ventures, partnerships and limited liability companies is already considered in Schedule 1 by but its inclusion in its Parent's financial statements and can thus be excluded from an inventory (not separately listed) because the Parent also already receives a corresponding capital charge within its RBC.

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

39.40. **Input 2 – Inventory:** This tab is intended to be used by the consolidated group to provide information on the value and capital calculation for all the entities in the group before any de-stacking of the entities. While some of this information is designed to “pull” information from Schedule 1, other cells (blue cells) require input from the group. This tab will then apply include the adjustments for investment in subsidiary other than where an exception is described in these instructions and adjust for intragroup arrangements. This tab is set up to subtract those adjustments from capital and therefore should be entered as: 1) a positive figure if the adjustment currently has a positive impact on the available capital or the capital calculation; or 2) a negative figure if the adjustment currently has a negative impact on the available capital or the capital calculation. It will also be used to add relevant insurance or other financial entities included as equity investments in Schedule A and Schedule BA and to aggregate the resulting adjusted values for use in the actual GCC.

**NOTE:** For a Limited Group Capital filing, data will be presented in a summarized format in a limited version of the “Inventory” tab in lieu of completing the full “Inventory” tab (see below).

**Limited Group Capital Filing Only: Input 2 – Inventory:** Manually enter data in Inventory B, Column 8 and Inventory C, Column 8 to report a single aggregated value for each entity category in the group. This will require that eliminations and adjustments normally found in a “full” Inventory B, Column 2 through Column 7 and Inventory C, Column 2 through Column 7 to be addressed offline.

**40.41. Input 3 – Capital Instruments:** This tab is intended to be used to gather necessary information to that will be used to calculate an allowance for additional available capital based on the concept of structural subordination applied to senior or other subordinated debt issued by a holding company that is within the scope of application of the GCC filing. It will also provide information on all debt issued by entities within the scope of application~~the group~~.<sup>[TF28][FL29]</sup>

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

**41.42. Input 4 – Analytics:** In recognizing a primary purpose of the GCC is to enhance groupwide financial analysis, this tab includes or draws from entity-category-level inputs reported in the tab or elsewhere in the GCC template to be used in GCC analytics. Separate guidance for Lead State Regulators to reference in analysing the data provided in the GCC template (reference applicable location of the guidance; e.g., *Financial Analysis Handbook*).

**NOTE:** Data for this tab is required for a Limited Group Capital filing.

**42.43. Input 5 – Sensitivity Analysis and Inputs:** This tab includes inputs and/or describes informational sensitivity analysis for other than XXX/AXXX captives, permitted and prescribed practices, debt designated as “Other,” unscaled foreign insurer values and other designated sensitivity analysis. The inputs are intended to simply be a disclosure, similar to the disclosure required under Note 1 of the statutory financial statements. The analysis will be applied in the “Summary 2” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

**43.44. Input 6 – Questions and Other Information:** This tab will provide space for participants to describe or explain certain entries in other tabs. Examples include the materiality method applied to exclude entities in Schedule 1 and narrative on adjustments for intragroup debt and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab.

**NOTE:** Data for this tab is NOT required for a Limited Group Capital filing.

**44.45. Calc 1 – Scaling (Ins):** This tab lists countries predetermined by NAIC and provides the necessary factors for scaling available and required capital from non-US insurers to be used in in sensitivity analysis to a comparable basis relative to the U.S. RBC figures. It also allows for set scaling options (which vary by insurance segment such as life, P/C, and health).

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

**45.46. Calc 2 – Scaling (Non-Insurance):** This tab is used to determine calculated capital for non-insurance entities.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

**46.47. Summary 1 – Entity Category Level:** This tab provides a summary of aggregated available capital and calculated capital for each entity category before the application of capital instruments.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

- 47.48. Summary 2 – Top Level:** This tab calculates various informational GCC ratios resulting from applying “on top” and entity level adjustments to adjusted carrying value and adjusted calculated capital and are described in the “Sensitivity Inputs and Analysis” tab. These “what if” scenario analysis will not be part of the GCC ratio.

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

- 48.49. Summary 3 – Analytics:** Provides a summary of various GCC analytics.

**NOTE:** This tab is required for a Limited Group Capital filing.

- 49.50. Summary 4 – Grouping Alternatives:** This tab currently calculates and displays a selected grouping option for organizing the structure of the group consistent with the way that the entities are managed, that was submitted by an interested party. [TF30][FL31]

**NOTE:** This tab is NOT required for a Limited Group Capital filing.

- 50.51. All cells in the template are color-coded based on the chart below. Inputs should only be made in blue cells. Do not add/delete rows, columns or cells or change the structure of the template in any way. If there appears to be an error in the formulas in the template, contact the NAIC.**

The following set of colors is used to identify cells:

**Colors used**

Parameters

Input cells

Data from other worksheets

Local calculations

Results propagated

## V. Detailed Instructions (insert link to template)

### **Input 1 – Schedule 1** [TF32]

52. Schedule 1A indicates the version of the template being prepared.

53. is a small table at the top for identification of the filer. Enter the “Name of Group,” name of the person the template is “Completed by” and the “Date Completed.” Indicate the version number of the template if there are updates or multiple persons completing the template. All figures (in all tabs) should be converted to \$’000s. For example, a book value of \$123,450 should be entered as “123.45” in the template. [FL33]

- 54.53. More detailed information on each legal entity should be reported in Schedule 1B through Schedule 1D. The order of the entries in Schedule 1 should match that in the “Inventory” tab. The first entity listed should be the ultimate controlling party.

55.54. U.S. branches of foreign insurers should be listed as separate entities when they are subject to capital requirements imposed by a U.S. insurance regulator. They should be reported under the appropriate entity category in [Sch 1B Col 6].

56.55. Entries are required for every entity within the scope of the group. However, while recognizing that Lead State Regulator retain the discretion to ask for greater detail, the following simplifications may be applied as long as information for every entity is listed in Schedule 1B:[TF34][FL35]

- A single numerical entry for like Financial Entities would be allowed at the intermediate holding company level, assuming that the like entities are owned by a common Parent that does not own other entity types, all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. The entity at which the total data is provided must be assigned an “Entity Category” in Schedule 1 that corresponds to the instructed carrying value and capital calculation for which the entry is made (e.g., an entity that would otherwise be categorized as a non-operating holding company but holds asset managers would be categorized as an asset manager). Entries for the remaining individual entities in the grouping will be reported in Schedule 1B only as “included.”
- In addition, a single numerical entry would be allowed for all included non-insurance/non-financial entities at the intermediate holding company level assuming that the intermediate holding company owns only non-insurance/non-financial entities ~~assuming that the entities are owned by a common Parent that does (i.e., does~~ not own other entity types), all use the same accounting rules (e.g., all GAAP), and are at least consistent with the way the group manages their business. This would include any positive residual value of the holding company itself. Entries for ~~all the remaining~~ individual entities in the grouping will be reported in Schedule 1B only as “included.”  
but no stand-alone values for each entity would be required.
- Values for, non-insurance/non-financial subsidiaries of U.S. RBC filers ~~or such subsidiaries owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity~~ may remain with their Parent insurers and will not be de-stacked. Entries for these individual entities in the grouping will be reported individually in Schedule 1B Columns 1 and 2 only as “included.” along with other required entries in Schedule 1B, but no stand-alone values for each entity would be required in Schedules 1C or 1D.[TF36][FL37]
- Mutual Insurance Groups may use the Total Adjusted Capital and amount of required capital from the top-level Insurer’s RBC Report at 200% x ACL RBC, ~~and~~ further adjusted to de-stack foreign insurers and other financial entities owned directly or indirectly (on a look-through basis) via RBC filing subsidiaries. Such foreign insurance subsidiaries or other financial subsidiaries shall be reported at the carrying values and capital calculations as described later herein.[TF38][FL39]
- Data for U.S. Branches of Foreign insurers may be omitted from Schedule 1 if they are otherwise included in the entries, values, and capital requirements of a foreign insurer.

**NOTE:** These simplifications will be treated in a similar manner in Input 2 – Inventory.

57.56. Any insurer or financial entity owned by a Parent insurer and listed in Schedule A or Schedule BA, ~~and~~any[TF40][FL41] insurance or financial entity that is owned indirectly through a Schedule BA affiliate should be listed in Schedule 1 and in the Inventory and assigned the

appropriated identifying information. (See also the instructions for Part B of the Inventory). These entities will be de-stacked from the values for the Parent insurer. The same treatment for these entities will be afforded when they owned by a foreign insurer or other non-insurance entities.

**58.57.** Schedule 1B contains descriptions of each entity. Make selections from drop-down menu where available.[TF42][FL43]

- **[Sch 1B Col 1] Include/Exclude (Company)** – This column is to select entities where a request is made for exclusion. The filer will indicate which non-insurance/non-financial entities not owned directly or indirectly by an insurer that should be excluded from the GCC as not posing material risk to the group. The filer's definition of material risk will be reported in the "Other Information" tab.
- **[Sch 1B Col 2] Include/Exclude (Supervisor)** – Column to be filled in by supervisor. These are entities where the Supervisor agrees with the filer's assessment of material risk and these entities will be excluded from the GCC and may be included in a sensitivity analysis later in the template.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

- **[Sch 1B Col 3] Include/Exclude (Selected)** – Formula to determine treatment of data tab for later sensitivity analysis. If supervisor has made a determination of include/exclude in the prior column, that will be used. If not, company's selection will be used.
- **[Sch 1B Col 4] Entity Grouping** – Column denotes whether this is an insurance or non-insurance/non-financial entity and is also automatically populated based on the entry in Column 8.
- **[Sch 1B Col 5] Entity Identifier** – Provide a unique string for each entity. This will be used as a cross-reference to other parts of the template. If possible, use a standardized entity code such as NAIC Company Code (CoCode) or Insurance Services Office (ISO) Legal Entity Identifier. CoCodes should be entered as text and not number (e.g., if CoCode is 01234, then the entry should be "01234" and not "1234"). If there is a different code that is more appropriate (such as a code used for internal purposes), please use that instead. If no code is available, then input a unique string or number in each row in whatever manner is convenient (e.g., A, B, C, D, ... or 1, 2, 3, 4...). Do not leave blank.
- **[Sch 1B Col 6] Entity Identifier Type** – Enter the type of code that was entered in the "Entity Identifier" column. Choices include "NAIC Company Code," "ISO Legal Entity Identifier," "Volunteer Defined" and "Other."
- **[Sch 1B Col 7] Entity Name** – Provide the name of the legal entity.

- [Sch 1B Col 8] **Entity Category** – Select the entity category that applies to the entity from the following choices (all U.S. life captives shall select the option for “RBC Filing Captive,” complete the calculation using the life RBC formula in accordance with instructions below regarding “Additional clarification on capital requirements where a U.S. formula (RBC) is not required,” regardless of whether the company is required by their captive state to complete the RBC formula. Insurers or financial entities that are de-stacked from an insurer’s Schedule A or Schedule BA should be assigned the corresponding insurer or financial entity category:

<b>RBC Filing U.S. Insurer (Life)</b>	<b>UK Solvency II – Life</b>	<b>Colombia</b>
<b>RBC Filing U.S. Insurer (P/C)</b>	<b>UK Solvency II – Composite</b>	<b>Indonesia</b>
<b>RBC Filing U.S. Insurer (Health)</b>	<b>Australia – All</b>	<b>Thailand</b>
<b>RBC Filing U.S. Insurer (Other)</b>	<b>Switzerland – Life</b>	<b>Barbados</b>
<b>U.S. Mortgage Guaranty Insurers</b>	<b>Switzerland – Non-Life</b>	<b>Regime A (Participant Defined)</b>
<b>U.S. Title Insurers</b>	<b>Hong Kong – Life</b>	<b>Regime B (Participant Defined)</b>
<b>Other Non-RBC Filing U.S. Insurers</b>	<b>Hong Kong – Non-Life</b>	<b>Regime C (Participant Defined)</b>
<b>RBC filing (U.S. Captive)</b>	<b>Singapore – All</b>	<b>Regime D (Participant Defined)</b>
<b>Canada – Life</b>	<b>Chinese Taipei – All</b>	<b>Regime E (Participant Defined)</b>
<b>Canadian – P/C</b>	<b>South Africa – Life</b>	<b>Bank (Basel III)</b>
<b>Bermuda – Other</b>	<b>South Africa – Composite</b>	<b>Bank (Other)</b>
<b>Bermuda – Commercial Insurers</b>	<b>South Africa – Non-Life</b>	<b>Financial Entity with a Regulatory Capital Requirement</b>
<b>Japan – Life</b>	<b>Mexico</b>	<b>Asset Manager/Registered Investment Advisor – High Risk</b>
<b>Japan – Non-Life</b>	<b>China</b>	<b>Asset Manager/Registered Investment Advisor – Medium Risk</b>
<b>Japan – Health*</b>	<b>South Korea</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – High Risk</b>
<b>Solvency II – Life</b>	<b>Malaysia</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Medium Risk</b>
<b>Solvency II – Composite</b>	<b>Chile</b>	<b>Other Financial Entity without a Regulatory Capital Requirement – Low Risk</b>
<b>Solvency II – Non-Life</b>	<b>India</b>	<b>Other Non-Ins/Non-Fin with Material Risk</b>
<b>Solvency II – Non-Life</b>	<b>Brazil</b>	<b>Other Non-Ins/Non-Fin without Material Risk</b>
<b>UK Solvency II – Non-Life</b>	<b>Argentina</b>	<b>Non-Operating Holding Co.</b>

\* If the GCC group's Japanese insurer health business (referred to as "Third Sector") is greater than 60% of total life business (referred to as "First Sector") and health business combined, as reflected by annualized premium for the year reported, then that group may elect to use the Japan health scalar set rather than the life scalar set.

**NOTE:** All U.S. captives are required to complete the applicable RBC formula template. In addition, any insurer, other than U.S. captive, that submits an RBC filing to either the state of domicile or the NAIC will be considered an RBC filer.

- **[Sch 1B Col 9] Alternative Grouping** – This is an optional input field. This field should be used if you wish to show similar entities aggregated into a single line in Summary 4-Alternative Grouping on the "Grouping Alternative" Exhibit.<sup>2</sup> For example, if you have a dozen small dental HMO businesses, you may wish to show them as a single line called "Dental HMOs," as opposed to listing each entity separately. This is a level of granularity below "Entity Category" but above individual entities. No entity should be put in the same "Alternative Grouping" as its Parent. It is acceptable to put only one entity in a grouping. If any entries are left blank then, in Column 17, the "Entity Name" will be selected as the grouping. This will not impact the order of the entities for which data is entered in Schedule 1 or the "Inventory" tab.
- **[Sch 1B Col 10] Parent Identifier** – Provide the Entity Identifier of the immediate Parent legal entity for each entity, as applicable. If there are multiple Parents, select the Parent entity with the largest ownership percentage. Only include one entry. For the top holding company, enter "N/A."
- **[Sch 1B Col 11] Parent Name** – This will be populated by a formula, so input is not required.
- **[Sch 1B Col 12] % Owned by Parent** – Enter the percentage of the entity that is owned by the Parent identified earlier in the worksheet. Percentages of ownership should be based on the percentage of voting class securities (unless ownership is maintained other than by control of voting securities) consistent with what is reported pursuant to state holding company regulation filings (Form B or equivalent).
- **[Sch 1B Col 13] % Owned within Group Structure** – Enter the percentage of the entity that is owned in the aggregate by any affiliated entities within the Group~~[TF44]~~~~[FL45]~~.
- **[Sch 1B Col 14] State/Country of Domicile** – Enter state of domicile for U.S. insurance entities and country of domicile for all other entities. (Use references that are consistent with those use on Schedule Y, where available.)
- **[Sch 1B Col 15] Zero Valued and Not Admitted Entities – Report for U.S. Insurers Only.** Select the treatment of the entity from following options: "Zero Valued for RBC" or "Nonadmitted for Accounting and RBC (Direct or Indirect)."

Zero Valued for RBC are affiliated insurance and financial entities that are otherwise reported in the RBC filer's annual financial statement at their accounting value (i.e., per SAP) but are reported at zero value and zero capital requirements for RBC purposes. Examples include non-Canadian foreign insurers directly owned by U.S. life RBC filers. The carrying value and capital calculation specified in these instructions for the specific insurance or financial entity type should be reported in Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column.

Nonadmitted for Accounting and RBC (Direct or Indirect) are insurance or other financial affiliates that owned directly indirectly by an RBC filer via a downstream non-financial entity or holding companies that are reported at zero value per SAP and are also reported at zero value and zero capital requirements for RBC purposes. Examples include U.S. insurers indirectly owned by a U.S. RBC filer through a nonadmitted holding company that has not been subject to an independent audit. The carrying values and capital calculations specified herein associated with the specific insurance or financial indirectly owned entity type should be reported Inventory B, Column 2 and Inventory C, Column 2, respectively.

**NOTE:** Do not report zero values in Column 2 of Inventory B and Inventory C for these affiliates. Only RBC filing entities with this type of affiliate will report in this column. The excess value in the nonadmitted Parent entity may be reported at zero value.

No entry is required in this column for any nonadmitted directly or indirectly owned non-insurance/non-financial subsidiary. Report zero for these affiliates in Column 2 of Inventory B and Inventory C.

- [Sch 1B Col 16] **Is Affiliates on Schedule A or Schedule BA an Insurer or Other Financial Entity?** – Column is meant to identify an entity with an insurer or financial entity identifier in Column 8 that is otherwise reported on Schedule A or Schedule BA but is being de-stacked and also reported on the Inventory tabmoved to this Schedule[FL46]. Provide a “Y” response where that is applicable. Otherwise leave blank.
- [Sch 1B Col 17] **Selected Alternative Grouping** – This will be populated by a formula, so input is not required. If there are any blank entries in Column 9 (Alternative Grouping), this column will set them equal to the name of the entity.

59.58. Schedule 1C contains financials for each entity:

- [Sch 1C Col 1] **Basis of Accounting** – Enter basis of accounting used for the entity’s financial reporting.
- [Sch 1C Col 2 and Col 3] **Gross and Net Written Premium** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (life, P/C, and health). Use equivalent local source for non-U.S. insurers or company records when available.
- [Sch 1C Col 4] **Reinsurance Assumed from Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 1 and life and health Schedule S, Part 1, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available.[FL47]
- [Sch 1C Col 5] **Reinsurance Ceded to Affiliates** – Report for all U.S. and non-U.S. insurers. Use applicable entity annual financial statement data source for U.S. insurers (assumed premiums from P/C Schedule F, Part 3 and life and health Schedule S, Part 3, Section 1, and Section 2). Use equivalent local source for non-U.S. insurers or company records when available. [FL48][FL49]
- [Sch 1C Col 6] **Book Assets** – This should be valued based on the applicable basis of accounting reported under the entity’s local regime and represents the total assets as reported in the basic financial statements before eliminations (because that is presumed to be less burdensome on the insurance holding company). Other financial data should

similarly be prepared using financial data before eliminations. However, insurance holding companies are allowed to present such figures after eliminations if they do so for all figures and consistently for all years.

- [Sch 1C Col 7] **Book Liabilities** – This should be valued based on the applicable basis of accounting reported under the entity's local regime and represents the total liabilities as reported in the basic financial statements.
- [Sch 1C Col 8] **Gross Paid-in and contributed Capital and Surplus** **(U.S. Insurers Only)** [FL50] – For U.S. insurers, report the current year end amounts from annual financial statement Page 3 as follows:
  - a. Life Insurers: lines 29, 30 and 33.
  - b. P/C Insurers: lines 30, 31 and 34.
  - c. Health Insurers: lines 26, 27 and 28. [FL51]

**60.59.** Generally, Schedule 1D will include entries from regulatory filings or entity specific GAAP financial statements as of the reporting date. The amounts reported should be the entity value on a stand-alone (fully de-stacked) or grouped basis (where applicable). This may require use of company records in certain cases. The amounts should be reported at 100% for the entity listed. Any required adjustments for percentage of ownership will be applied later, if necessary, to calculate a capital charge.

- [Sch 1D Col 1] **Prior Year Entity Identifier** – Report the Legal Entity Identifier, NAIC company code or other identifier used for the entity in the prior year GCC filing for the prior calendar year.
- [Sch 1D Col 2] **Prior Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone balance sheet. This will generally be the same as what is reported in the current year column in the prior year GCC filing. Where grouping is permitted, the balance reported may be on a grouped basis. **Do not report values for non-insurance/non-financial entities owned directly or indirectly by RBC filers or owned by other financial entities with regulatory capital requirements for which the non-insurance/non-financial entity is included in the capital charges for the Parent entity** [FL52].
- [Sch 1D Col 3] **Net Income** – The final reported income figure from the income statement, and therefore is the figure reported after interest, taxes, extraordinary items, etc. For entities with accounting and reporting requirements that specify that dividends paid or received will be part of "net income," report the dividends received in this column. Report dividends to policyholders here as a reduction to net income if required by local accounting or reporting requirements.
- [Sch 1D Col 4] **Dividends Paid and Received (Net)** – All entity types report the net amount of dividends paid and received in reporting year to/from and affiliate, a Parent shareholder, public shareholders, or policyholders (if not required to be a reduction/increase in net income by local accounting or reporting requirements). All entity types that are subject to accounting and reporting requirements that specify that dividends paid or received will be reported as a surplus adjustment, will report dividends received in reporting year from affiliates in this column.

- **[Sch 1D Col 5] Capital and Surplus Contributions Received from Affiliates** – All entity types. Report sum of capital contribution (other than via surplus notes) during the reporting year received from any affiliated entity.
- **[Sch 1D Col 6] All Other Changes in Capital and Surplus** – Include total for all adjustments not listed above. This would include any investment income not already reported in Column 3 or Column 5. Also, report all stock repurchases or redemptions in this column.

**NOTE:** Greater detail may be made available upon request.

- **[Sch 1D Col 7] Current Year Equity or Capital and Surplus** – Report the value based on net equity reported in the entity stand-alone Balance Sheet for the current year. This will generally be the same as what is reported for the entity in the Inventory B, Column 2. Where grouping is permitted, the balance reported may be on a grouped basis. ~~Do not report values for non insurance/non financial entities owned directly or indirectly by RBC filers or owned by other financial entities with regulatory capital requirements for which the non insurance/non financial entity is included in the capital charges for the Parent entity.~~
- **[Sch 1D Col 8] Capital and Surplus Contributions Paid to Affiliates** – All entity types report the total of capital contributions (other than via surplus notes) during the reporting year paid to any affiliated entity.
- **[Sch 1D Col 9] Dividends Declared and Unpaid** – For all applicable entities report the amount of dividends declared or approved but not yet distributed.
- **[Sch 1D Col 10] Dividends Received and Not Retained** – All holding companies, insurers and financial entities with regulatory capital requirements indicate by “Y” or “N” if part or all of dividends received reported in Column 5 have been paid (passed through) to a Parent company, to public shareholders, or used to repurchase or redeem shares of stock.

## Input 2 – Inventory

61.60. Columns in Inventory A are being pulled from Schedule 1:

- [Column 1] Insurance/Non-Insurance
- [Column 2] Entity Identifier
- [Column 3] Entity Identifier Type
- [Column 4] Entity Name
- [Column 5] Entity Category
- [Column 6] Parent Identifier
- [Column 7] Parent Name
- [Column 8] Basis of Accounting

### Columns Requiring Input

62.61. Enter information on adjustments to carrying value. Considerations specific to different types of entities are located at the end of this subsection.

- **[Inv B Col 1] Carrying Value (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. In general, carrying values utilized should represent: 1) the subsidiary valuation required by the insurance or other sectoral regulator if the Parent is a regulated entity; or 2) in the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then a subsidiary valuation based U.S. GAAP or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements.

No entry is required for the Ultimate Controlling Person (UCP)

The value in this column will include a zero value for entities not admitted per SAP or other jurisdictional regulatory rules. A single entry for all entities that qualify under the grouping criteria exceptions described in Input 1, herein may be made in lieu of individual entries on the line for the affiliate that holds the qualifying entities. This column will include double-counting.

The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group.

- **[Inv B Col 2] Carrying Value (Local Regime)** – Record the carrying value recognized by the legal entity's jurisdictional insurance or other sectoral supervisor. This will include the value of capital instruments (e.g., U.S. insurer issued surplus notes) that are specifically recognized by statute, regulation or accounting rule and included in the carrying value of the entity. In the case where the entity is not subject to insurance or other sectoral regulatory valuation, then U.S. GAAP equity (including OCI) or other International GAAP as used in the ordinary course of business by the ultimate controlling party in their financial statements. If an agreed-upon change in local carrying value should become effective by 2021, Volunteer Groups are expected to report on that basis. If the group is comprised entirely of U.S.-based entities under a U.S.-based Parent company, the entries in this column will be the same as in Column 1 except in cases where the Parent owns not admitted (or otherwise zero valued financial affiliates that would be reported as not admitted in the Parent Regime column but fully admitted (per SAP valuation) in the Local Regime column). (See instructions for **[Sch 1B Col 15]**.) However, if such an entity has been listed in the **[Sch 1B Col 2] Include/Exclude**

**(Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then a value will be reported here, but the ultimate calculation will show the results without the excluded entity's value. The carrying value for affiliates that are U.S. RBC filers, ~~the value~~ will be the amount reported TAC on entity's RBC report. This column will include double-counting. The values recorded for all subsidiaries should be the full value of the subsidiary regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the full value of the subsidiary adjusted to reflect total percentage of ownership within the group. The entry here should generally be the same as the value reported in Inventory B, Column 1, except where TAC for RBC filers differs from their BACV. A single entry for all entities that qualify under the grouping exceptions criteria described exceptions described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries.

A sensitivity analysis is included to calculate ~~to reflect~~ [FL53] the impact of excluded entities requested but not approved for exclusion by the lead state.

INVENTORY B – Accounting Valuation to be Used				
Parent Entity	Entity	Inv B, Column 1	Inv B, Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
U.S. RBC filer	Other U.S. Insurer	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	BACV Per Statutory Accounting	Per Local Regulatory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Financial w/o Capital Reqmt	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
U.S. RBC filer	Non-Financial	BACV Per Statutory Accounting	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	BACV Per Statutory Accounting	RBC TAC	BACV Per Statutory Accounting
Other U.S. Insurer	Any Other Entity Type	BACV Per Statutory Accounting	BACV Per Statutory Accounting	BACV Per Statutory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Regulatory Accounting	RBC TAC	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Regulatory Accounting	BACV Per Statutory Accounting	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Regulatory Accounting	<u>Per Local Regulatory Accounting Jurisdictional or Sectoral PCR Level Per Local Capital</u>	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Regulatory Accounting	Per risk level factor x 3-year avg revenue	Per Local Regulatory Accounting
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Regulatory Accounting	No entry Required	No entry Required – Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Per Local Public Accounting	RBC TAC	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Per Local Public Accounting	BACV Per Statutory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Public Accounting	Per Local Regulatory Accounting	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Per Local Public Accounting*	Per Local Regulatory Accounting*	Per Local Public Accounting
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Per Local Public Accounting*	Per Local Public Accounting*	Per Local Public Accounting

\*Subject to Grouping

In cases where a U.S. life RBC filer owns a foreign insurer and the BACV value reported for the foreign insurer in the Parent U.S. insurers financial statement is adjusted to zero for RBC purposes, then report zero in Inventory B, Column 1 and Column 3 for that foreign insurance entity.

- **[Inv B Col 3] Investment in Subsidiary** – Enter an adjustment to remove the investment carrying value of any directly owned subsidiary(ies) from Parent’s carrying value. This is intended to prevent double-counting of available capital when regulated entities are stacked. The carrying value to be removed should be the investment value carried by the Parent from which the entity is being de-stacked (i.e., the value in Column 1 in Inventory B adjusted for ownership percentage). Thus, there will be no adjustment to the Parent’s value in this column for entities that are reported at zero value by the Parent. Where entities are owned partially by entities outside of the group, then the Parent’s percentage of ownership will be calculated based on the value owned within the group.

Generally, for all non-financial affiliates, Schedule A and Schedule BA assets will remain in the value of the Parent insurer and not entered in this column. However, if the Schedule A or Schedule BA asset is unless they are an insurance or financial entity [TF54][FL55] meet the exceptions as described herein, the value of that entity will be included in this column. For indirectly owned Schedule A or Schedule BA insurance or financial entities, only the value of that entity will be included in this column and the remaining value of the downstream Schedule BA Parent will remain with the Parent insurer. Similarly, the carrying value of U.S. branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the value of the foreign insurer so that the Parent entity may eliminate double-counting of that available capital which will now be reported by the stand-alone Branch listed in the inventory.

**NOTE:** The “Sum of Subsidiaries” column may provide a useful check against this entry, but it will not necessarily be equal.

When utilizing public accounting (e.g., GAAP) equity values that differ from regulatory values (e.g., SAP), it is the GAAP equity of the insurers must be eliminated from the GAAP Parent in this column, not the SAP (regulated capital). This is necessary in order to allow the calculation to appropriately represent SAP capital of regulated entities and GAAP equity of non-regulated entities. Data on the accounting differences between Parent and Local carrying values will be collected in **[Inventory B, Column 9]** and further detail provided in the “Questions and Other Information” tab.

**NOTE:** Values for Schedule A and Schedule BA affiliates that are required to be reported in the “Inventory” tab will be adjusted out of the value reported by the U.S. insurer in this column.

**[Inv B Col 4] Intragroup Capital Instruments** – This column is automatically calculated from inputs to the “Capital Instruments” tab. It reflects an adjustment to remove carrying value for intragroup financial instruments that are treated as capital by the issuer and consequently create additional capital within the group upon issuance (most notably U.S. surplus notes). Example for surplus notes: In both intragroup and unaffiliated transactions, treat the assets transferred to the issuer of the surplus note as available capital. If the purchaser is an affiliate, eliminate the investment value from the affiliated purchaser of the surplus note in this column. If the purchaser is an insurer or other regulated entity, eliminate the purchaser’s capital charge (e.g., RBC charge) on the surplus note investment in the corresponding adjustment column for the capital calculation. No adjustments are made for any intragroup capital instrument that is treated as a liability by the issuer.

- **[Inv B Col 5] Reported Intragroup Guarantees, LOCs and Other** – Enter an adjustment to reflect the notional value weighted for expected utilization for reported intragroup guarantees (including solvency insurance and capital maintenance agreements). Enter the notional value for letters of credit, or other intragroup financial support mechanisms. Explain each intragroup arrangement in the “Questions and Other Information” tab.
- **[Inv B Col 6] Other Intragroup Assets** – Enter the amounts to adjust for and to remove double-counting of carrying value for other intragroup assets, which could include intercompany balances, such as (provide an explanation of each entry in the “Questions and Other Information” tab):
  - a. Loans, receivables and arrangements to centralize the management of assets or cash;
  - b. Derivative transactions;
  - c. Purchase, sale or lease of assets; and
  - d. Other (describe).
- **[Inv B Col 7] All Other Adjustments** – Include a brief explanation in the “Description of ‘Other Adjustments’” in the “Other Information” tab.
- **[Inv B Col 8] Adjusted Carrying Value** – Stand-alone value of each entity per the calculation to eliminate double-counting. This value includes permitted and prescribed practices.
- **[Inv B Col 9] Accounting Adjustments (e.g., GAAP to SAP)** – Report the total difference between the carrying value reported in Column 1 (and Column 3) and the value reported in Column 2. This column will apply to regulated entities where the stand-alone carrying value is based on regulatory accounting (e.g., SAP) while the value reported for that entity by the Parent is carried at a financial accounting (e.g., GAAP) value. Further detail is reported in the “Questions and Other Information” tab.
- **[Inv B Col 10] Gross Revenue 2<sup>nd</sup> Prior Year (Financial Entities without Regulatory Capital Requirements and Non-financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 11] Gross Revenue Prior Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 12] Gross Revenue Current Year (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – Report gross revenue (excluding dividends from subsidiaries and affiliates).
- **[Inv B Col 13] Average Revenue over 3-years (Financial Entities without Regulatory Capital Requirements and Non-Financial Entities)** – This column is populated from data in Column 10, Column 11 and Column 12.

This column will support the capital calculation for asset managers, broker-dealers and other Financial Entities without Regulatory Capital Requirements.

63.62. “Adjusted Capital Calculation” is reported in a similar manner to the “Adjusted Carrying Value” above. The columns are in the same order, although it is likely that fewer entries will be needed for Column 4 through Column 7. Further guidance is below.

- **[Inv C Col 1] Entity Required Capital (Immediate Parent Regime)** – This column is included to accommodate participants with either a U.S. or a non-U.S. based Parent company. No entry is required for the Ultimate Controlling Person. In general, entity required capital should represent the capital requirements of the Parent's insurance or other sectoral regulator:
  - a. For subsidiaries of foreign insurers or other non-U.S. financial entities, the unscaled capital required by the Parent's regulator of the regulated entity based on the equivalent of a Prescribed Capital Requirement (PCR) level.
  - b. For subsidiaries, including applicable Schedule A and Schedule BA subsidiaries, of U.S. insurance entities that are subject to RBC, except where the subsidiary is also an RBC filer, the entry should be equivalent of what would be required in the Parent's RBC, adjusted for covariance where applicable (calculated by the preparer) reported at company action level (or two times authorized control level RBC) for that entity. Where the subsidiary is also an RBC filer, then the amount reported will be at company action level RBC (or two times authorized control level RBC) after covariance.
  - c. For subsidiaries of U.S. insurers that do not file RBC, report the actual amount of capital required in the Parent's capital requirement (if any) for the subsidiary entity.
  - d. In the case where the Parent is not subject to insurance or other sectoral regulatory valuation, then use zero where applicable. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the specified capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group. A single entry for all entities that qualify under the grouping criteria exceptions described in Section V, herein may be made on the line for the affiliate that holds the qualifying entities in lieu of individual entries.
- **[Inv C Col 2] Entity Required Capital (Local Regime)** – Enter required capital for each de-stacked entity, as applicable entity description below. For U.S. RBC filing subsidiaries under a U.S. RBC filing Parent the amounts will be the same in both the Parent and Local Regime columns, except where the RBC filing subsidiary is subject to an operational risk charge. In such cases the amount reported in this column for the subsidiary will include the operational risk charge while the amount reported in Column 1 will exclude the subsidiary's operational risk charge. However, for some entity types this will result in entries for the entities under a U.S.-based insurance Parent to be different from what U.S. RBC would dictate. In addition, where a U.S. insurer directly or indirectly owns not admitted (or otherwise zero valued) financial affiliates, those affiliates would be reported with zero value in the Parent Regime column but at the specified regulatory value described below for that financial entity type in this column. However, if such an entity has been listed in **[Sch1B Col 2] Include/Exclude (Supervisor)** column, indicating that the Lead State Regulator agrees that the entity does not pose material risk, then report the capital calculation in accordance with entity instructions below,<sup>[FL56]</sup> but the ultimate calculation will show the results without the excluded entity's capital calculation. Directly or indirectly owned non-financial entities that were not admitted or otherwise carried at a zero value in the Parent Regime, may be carried at zero value in this column. A single entry for all entities that qualify under the grouping criteria exceptions described herein under Input 1, above may be made in the line for the affiliate that holds the qualifying entities in lieu of individual entries. This column will include double-counting. The values recorded for all subsidiaries should be the 100% of the

capital requirements regardless of percentage of ownership by entities within the group. Where entities are owned partially by entities outside of the group, then report the capital requirements of the subsidiary adjusted to reflect total percentage of ownership within the group.

64. ~~For financial entities without a regulatory capital requirement and for non insurance/non-financial entity types where additional options are noted below, the options are shown here for informational purposes only and the calculations are described in the tabs where the relevant data and calculations reside.~~

65.63. Additional clarification on capital requirements where a formula is required:

- **U.S. RBC filing Insurers:** Report RBC at Company Action Level ~~excluding operational risk~~ (200% x ACL)<sup>[FL57]</sup>
- **Foreign Insurance Entities:** The local capital requirement as specified below for each jurisdiction should be reported, by legal entity, at a Prescribed Capital Requirement (PCR) level. This treatment is different than what U.S. RBC would require and recognizes other regulators view of adequate capital for insurers within another jurisdiction. It is more reflective of risk within the group context. A sensitivity analysis will be included in the “Sensitivity Analysis” tab using the jurisdictional PCR scaled per the Excess Relative Ratio method (see Appendix 1) for insurers in foreign jurisdictions that are subject to scaling.
- **European Union subsidiaries:** Use the Solvency II Solo Solvency Capital Requirement (SCR) as the PCR.
- **U.S. RBC filing subsidiaries:** The RBC Company Action Level ~~including operational risk~~ of <sup>[FL58]</sup> each insurer should be reported.
- **Australia subsidiaries:** The PCR is the target capital as set by the insurer/group in accordance with APRA requirements. Effectively, this would be “Target capital under ICAAP.” PCR is not a set multiple of MCR.
- **Bermuda subsidiaries:** The Legal Entity PCR in Bermuda for medium and large commercial insurers is called the “Enhanced Capital Requirement” (ECR) and is calibrated to Tail VaR at 99% confidence level over a one-year time horizon.
- **Hong Kong subsidiaries:** Under the current rule-based capital regime, if applied similar to the concept of PCR, the regime’s PCR would be 150% of MCR for life insurers and 200% of MCR for non-life insurers.
- **Japan subsidiaries:** The PCR is the solvency margin ratio of 200%.
- **Korea subsidiaries:** The PCR is 100% of risk-based solvency margin ratio.
- **Singapore subsidiaries:** The PCR is 120% of total risk requirement (i.e., capital requirement).
- **China Taipei subsidiaries:** The PCR is 200% of RBC ratio.
- **Canada life entities:** The baseline PCR should be stated to be “100% of the LICAT Base Solvency Buffer.” The carrying value should include surplus allowances and eligible deposits.

- **Canada P/C entities:** The PCR should be the MCT capital requirement at the target level.
- **South Africa subsidiaries:** The PCR is 100% of the SAM SCR.
- For any entities that cannot be mapped to the above categories, scaling will be at 100%

**66.64.** Additional clarification on capital requirements where a U.S. formula (RBC) is not required:

- For those U.S. insurers that do not have an RBC formula, the minimum capital per state law should be used as the basis for what is used for that insurer in the GCC. This may differ from what U.S. RBC would require. It is more reflective of the regulatory view of risk in the group context. The following requirements should be used in other specified situations where an RBC does not exist:
- **Mortgage Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC's requirements set forth in the *Mortgage Guaranty Insurance Model Act* (#630).
- **Financial Guaranty Insurers:** The minimum capital requirement shall be based on the NAIC's requirements set forth in the *Financial Guaranty Insurance Guideline* (#1626), specifically considering Section 2B (minimum capital requirements) and Section 3 (Contingency, Loss and Unearned Premium Reserves) and the other requirements of that guideline that impact capital (e.g., specific limits).
- **Title Companies:** The minimum capital requirement shall represent 200% of the required level of reserves carried by the insurance company.
- **Other Companies:** A selected basis for minimum capital requirements derived from a review of state laws. Where there is a one-off treatment of a certain type of insurer that otherwise would file RBC (e.g., HMOs domiciled in California), the minimum capital required by their respective regulator could be considered in lieu of requiring the entity to complete an RBC blank.
- **Captives:** U.S. insurers that have captives should complete the applicable RBC formula regardless of whether the captive is required to complete it in their captive state. The amounts input into RBC by the captive shall be based on the actual assets and liabilities utilized in the regulatory reporting used by the captive. Captives used exclusively for self-insurance (either by U.S. life insurers or any other type of insurer) or insurance provided exclusively to its own employees and/or its affiliates, should not complete an RBC calculation and the entire entity should be treated as non-insurers and receive the same charge as a non-regulated entity.

**67.65.** Non-insurance financial entities subject to a specified regulatory capital requirement:

- All banks and other depository institutions – The unscaled minimum required by their regulator. For U.S. banks, that is the Office of the Comptroller of the Currency (OCC) Tier 1 or other applicable capital requirement. This is understood to be consistent with how the Federal Reserve Board would apply its Building Block Approach.
- Any other financial entity that is determined to be subject to a specified regulatory capital requirement will bring that requirement in the GCC at the first level of regulator intervention (if applicable).

- This differs from what U.S. RBC would require. It recognizes the sectoral regulator's view of risk for a particular financial entity type. It is more reflective of risk in the group context.

**68.66.** Non-insurance financial entities NOT subject to a specified regulatory capital requirement:

- All asset managers and registered investment advisors and all other financial entities as defined in Section II: Use the capital calculation specified below based the level of risk assigned to the entity by applying the material risk principles defined in Section II. However, asset managers and investment affiliates (not qualifying to be treated as non-financial entities per paragraph 9) will be reported at either medium or high risk. In certain cases, these entities may be subject to a layer of regulation (e.g., SEC or FINRA) but are not generally subject to a specified capital requirement.

High Risk: 10% x 3-year average revenue

**NOTE:** A Basel Charge of 15% will be used for the IAIS ICS.

Medium Risk: 5.0% x 3-year average revenue.

Low Risk: 2.5% x 3-year average revenue

**NOTE:** Medium risk could be used as a starting point while the stratified methodology is further developed.

**69.67.** Other non-insurance, non-financial entities with material risk:

- Non-insurance, non-financial entities may not be as risky as financial entities. For non-insurance, non-financial entities not owned by RBC filers or other such entities where there is not a regulatory capital charge for the entity in the capital formula, use an equity charge of 10.5% (post tax) for predominantly life Insurance Groups 9.5% for predominantly P/C Insurance Groups and 3.5% for predominantly health Insurance Groups x BACV. If the entity is not subject to a capital charge or is included in the capital charge of another financial entity, then enter zero in Column 1 and the charge specified in this paragraph in Column 2. These factors are based on average after covariance RBC charges for the respective insurer types and are calibrated at 200% x ACL RBC. This is meant to be consistent with how the entity would be treated if owned by an RBC filer while recognizing that the entity may be excluded from the GCC if it does not pose material risk to the insurers in the group.

Non-insurance/non-financial entities owned by RBC filing insurers (or owned by other entities where a regulatory capital charge applied to the non-insurance/non-financial affiliate) ~~is~~-will remain in the Parent's capital charge and reported at that value in Column 1 but will be reported as zero in Column 2. These non-financial entities may not be excluded from the GCC.

One additional informational capital calculation for all non-financial entities will be applied in the Sensitivity Analysis tab using current year gross revenue from Inventory B, Column 12 with the calculation occurring and results available in the "Calc 2" tab as follows: 5% of reporting year gross revenue based on a medium level risk for a financial entity.

**—70.68.** Non-operating holding companies:

- Non-operating holding companies will be treated the same as other non-insurance/non-financial entities with material risk. Unless reported on a grouped basis (see paragraph 554), for purposes of applying the capital calculation, the carrying value of stand-alone positive valued and negative valued non-operating holding companies will be netted. If the net value is zero or less (floored at zero for purposes of applying a charge), the charge applied will be zero. If the filer chooses to designate the non-operating holding company as a non-insurance/non-financial entity without material risk and requests exclusion, then no allowance for debt issued by that holding company may be included in the calculation.

INVENTORY C – Capital Calculation to be Applied				
Parent Entity	Entity	Inv <u>CB</u> , Column 1	Inv <u>CB</u> , Column 2	Parent Entity Line Inv C, Column 3
U.S. RBC filer	U.S. RBC filer	RBC ACL (excl. op Risk) x 2	RBC ACL ( <u>incl. op risk</u> ) x 2	RBC ACL (excl. op Risk) x 2
U.S. RBC filer	Other U.S. Insurer	<u>RBC ACL (excl. op Risk) x 2</u>	Per GCC Entity Instructions	<u>RBC ACL (excl. op Risk) x 2</u>
U.S. RBC filer	Foreign Insurer or Other Regulated w/ Capital Reqmt	<u>RBC ACL (excl. op Risk) x 2</u>	Jurisdictional or Sectoral PCR Level Capital Reqmt	<u>RBC ACL (excl. op Risk) x 2</u>
U.S. RBC filer	Financial w/o Capital Reqmt	<u>RBC ACL (excl. op Risk) x 2</u>	Per risk level factor x 3-year avg revenue	<u>RBC ACL (excl. op Risk) x 2</u>
U.S. RBC filer	Non-Financial	<u>RBC ACL (excl. op Risk) x 2</u>	No entry Required	No entry Required - Do not de-stack
Other U.S. Insurer	U.S. RBC filer	Zero	RBC ACL ( <u>incl. op risk</u> ) x 2	Zero
Other U.S. Insurer	Any Other Entity Type	Zero	Per GCC Entity Instructions	Zero
Foreign Insurer or Other Regulated w/ Capital Reqmt	U.S. RBC filer	Per Local Capital Reqmt	RBC ACL ( <u>incl. op risk</u> ) x 2	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Other U.S. Insurer	Per Local Capital Reqmt	Per GCC Instructions	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Foreign Insurer or Other Regulated w/ Capital Reqmt	Per Local Capital Reqmt	Jurisdictional or Sectoral PCR Level Per Local Capital	Foreign Insurer or Other Regulated w/ Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Financial w/o Capital Reqmt	Per Local Capital Reqmt	Per risk level factor x 3-year avg revenue	Per Local Capital Reqmt
Foreign Insurer or Other Regulated w/ Capital Reqmt	Non-Financial	Per Local Capital Reqmt	No entry Required	No entry Required - Do not de-stack
Financial w/o Capital Reqmt or Non-Financial	U.S. RBC filer	Zero	<u>RBC ACL (<u>incl. op risk</u>) x 2</u>	Zero
Financial w/o Capital Reqmt or Non-Financial	Other U.S. Insurer	Zero	Per GCC Entity Instructions	Zero
Financial w/o Capital Reqmt or Non-Financial	Foreign Insurer or Other Regulated w/ Capital Reqmt	Zero	Jurisdictional or Sectoral PCR Level Capital Reqmt	Zero
Financial w/o Capital Reqmt or Non-Financial	Financial w/o Capital Reqmt	Zero	Per risk level factor x 3-year avg revenue*	Zero
Financial w/o Capital Reqmt or Non-Financial	Non-Financial	Zero	Per GCC Instructions*	Zero

### Capital Calculation Adjustments

- [Inv C Col 3] Investment in Subsidiary** – Enter an adjustment to remove the required capital of the directly owned subsidiary(ies) from Parent's required capital. The capital requirement to be removed should be the capital requirement carried by the Parent from which the entity is being de-stacked (i.e., the value reported in Column 1 in Inventory C adjusted for ownership percentage). Thus, there will be no adjustment to the Parent's value in this column for entities that are reported at a capital calculation of ~~at~~ zero value by the parent. This is intended to prevent double counting required capital when regulated entities are stacked. [Example: When de-stacking an RBC filer from another RBC filer, the amount entered on the Parent line would be the RBC of the subsidiary. When de-stacking financial entities that are subject to diversification in a capital formula (e.g., RBC) the amount entered on the Parent line is the post-diversified capital requirement as calculated by the preparer (which is also the amount to be reported for the de-stacked entity on the entity's line).

Generally the capital requirements for Schedule A and BA affiliates and other non-financial affiliates will remain in the capital requirements of the Parent insurer and not entered in this column, except that the capital requirements for any financial entity reported in a Parent's Schedule A and BA, any financial entity indirectly owned through another Schedule A or BA affiliate listed in Schedule 1 and in this section should be entered in this column in the row of the entity that directly or indirectly owns that Schedule A and BA affiliate so that the parent entity may eliminate double counting of that capital requirement capital which will now be reported by the stand-alone Schedule A or BA affiliate listed in the inventory.

For indirectly owned Schedule A and BA financial entities, only the capital requirements for that entity will be included in this column and the remaining capital requirement of the downstream BA Parent will remain with the Parent insurer. Similarly, the capital requirement for any U.S. Branch of a foreign insurer that is listed in Schedule 1 and in this section should be entered in this column in the row of the foreign insurer if it is already included in the capital requirement of the foreign insurer so that the parent entity may eliminate double counting of that capital requirement which will now be reported by the stand-alone Branch listed in the inventory. The amounts entered in this column for a Parent must correspond to the capital required by the parent entity which is being de-stacked from that Parent.

Capital calculations for Schedule A and Schedule BA indirectly owned **financial entities** that are owned by Schedule A or Schedule BA assets are reported in the Inventory Tab and will be adjusted out of the value reported by the U.S. insurer in this column (since the non-financial direct parent Schedule A or BA affiliate is not listed in the Inventory Tab).

In the "Questions and Other Information" tab, a capital requirement should be reported for the value of the indirectly owned insurance of other financial entity based on the insurers Schedule A or Schedule BA charge rather than a charge (which would be zero) attributable to the Schedule A or Schedule BA entity that directly owns the insurance or other financial entity. As indicated earlier, the remaining capital requirement of the entity that directly owns the insurance or other financial entity will remain with the Parent insurer.

- **[Inv C Col 4] Intragroup Capital Instruments** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on surplus notes purchased by an affiliated U.S. insurer from a U.S. insurer issuer).
- **[Inv C Col 5] Reported Intragroup Guarantees, LOCs and Other** – This column would generally be used if there is potential double-counting of capital requirements (e.g., RBC charges on guarantees or LOCs).
- **[Inv C Col 6] Other Intragroup Assets** – This column is not intended to be used for required capital but is included in case an entity believes it is necessary from reporting an inaccurate required capital figure.
  - a. Loans, receivables and arrangements to centralize the management of assets or cash.
  - b. Derivative transactions.
  - c. Purchase, sale or lease of assets.
  - d. Other (describe in "Questions and Other Information" tab).
- **[Inv C Col 7] All Other Adjustments** – Include a brief explanation in the "Description of 'Other Adjustments'" in the "Questions and Other Information" tab. Use this column for adjustments related to required capital that correspond to adjustments in Inventory B, Column 7 and in cases where an entity believes it is necessary to adjust an inaccurate regulatory required capital figure (e.g., the RBC calculation applied as a permitted practice).

**NOTE:** Consider whether this column should be used rather than Column 2 for zero value entities.

- **[Inv C Col 8] Adjusted Capital Calculation** – Stand-alone capital calculation for each entity per the calculation to eliminate double-counting. This value includes the impact of permitted and prescribed practices.
- Inventory D is for “Reference Calculations Checks.” These are calculations that can serve as checks on the reasonability/consistency of entries.
  - a. **[Inv D Col 1 – 3] Sum of Subsidiaries (Carrying Value)** – This automatically generated column calculates the value of the carrying value of the underlying subsidiaries. It is provided for reference when filling out the “Investment in Subsidiary” column. This sum will often, but not always, be equal to the “Investment in Subsidiary” column.
  - b. **[Inv D Col 4 – 6] Sum of Subsidiaries (Calculated Capital)** – Similar to above but for calculated capital.
  - c. **[Inv D Col 7 – 8] Carrying Value/Adj Calc Cap** – This is a capital ratio on the adjusted and unadjusted figures. Double-check entities with abnormally large/small/negative figures to make sure that adjustments were done correctly.

### Input 3 – Capital Instruments

71.69. Provide all relevant information pertaining to paid-up (i.e., any receivables for non-paid-in amounts would not be included for purposes of calculating the allowance) financial instruments issued by the Group (including senior debt issued by a holding company), except for common or ordinary shares and preferred shares. This worksheet aims to capture all financial instruments such as surplus notes, senior debt, hybrid instruments and other subordinated debt. Where a Volunteer Group has issued multiple instruments, the Volunteer Group should not use a single row to report that information; one instrument per row should be reported (multiple instruments issued under the same terms may be combined on a single line). All qualifying debt should be reported as follows.

72.70. Debt issued by U.S.-led groups:

- Surplus Notes – Report the outstanding value of all surplus notes in Column 8 whether issued to purchasers within or outside the group. The outstanding value of surplus notes issued to entities outside the group and that is already recognized by state insurance regulators and reported 100% as capital in the carrying value of U.S. insurer issuers in “Inventory B” ~~and~~ will not be included in the calculation for an additional capital allowance. Surplus notes issued within the group generally result in double-counting and will not be included in the additional capital allowance. (See instructions below.)
- Subordinated Senior Debt and Hybrid Debt Issued (e.g., debt issuances that receive an amount of equity credit from rating agencies) – The outstanding value will be reported in Column 8. Recognition for structurally subordinated debt will be allowed to increase available capital. For purposes of qualifying for recognition as additional capital, both of the following criteria must be met:

- a. The instrument has a fixed term (a minimum of five years at the date of issue or refinance, including any call options other than make whole provisions<sup>1</sup>). However, if the instrument is callable within the first five years from the date of issue it may be considered qualifying debt if any such call is at the option of the issuer only (the instrument is not retractable by the holder) AND it is the intent of management to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument.
- b. Supervisory review or approval is required for any ordinary\* or extraordinary dividend respectively or distribution from any insurance subsidiary to fund the repurchase or redemption of the instrument. Supervisory approval of ordinary dividends is met if the supervisor has in place direct or indirect supervisory controls over distributions, including the ability for the supervisor to limit, defer and/or disallow the payment of any distributions should it find that the insurer is presently, or may potentially become, financially distressed. There shall be no expectation, either implied or through the terms of the instrument, that such approval will be granted without supervisory review.

\*The concept of approval for ordinary dividends is for GCC purposes and is met as described in subparagraph b, above. It is not intended to require explicit regulatory approval or in any way alter current provisions of Model #440 or the *Insurance Holding Company System Model Regulation* (#450).

- “Other” Debt – The outstanding value will be reported in Column 8 and will be further described in the “Other Information” tab and will be reported in a manner that is consistent with Senior Subordinated Debt, as described above. Such debt will not initially be included in the additional capital allowance for the GCC. An additional allowance of this debt as additional capital will be calculated in this tab and reported as a sensitivity analysis in the “Summary” 2 tab, subject to future determination on whether it will become part of the GCC calculation.
- Foreign Debt – Report the outstanding value of Non-U.S. senior debt issued to entities outside the group in Column 8. Debt specifically recognized by statute, regulation or accounting rule as additional capital resources by the lead jurisdiction based on contractual subordination or where a regulatory regime proactively enforces structural subordination through appropriate regulatory/supervisory controls over distributions from insurers in the group will not be included in the calculation of an additional capital allowance if it is already reported as capital in the carrying value of the issuer in “Inventory B”. It will be included in the calculation of an additional capital allowance if recognized by the local jurisdiction and NOT already included in the value of the issuer in “Inventory B”. Cases where the value of debt instruments issued to purchasers outside the group has not been recognized by the legal entity’s insurance or other sectoral supervisor will not be included in the additional capital allowance.

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<sup>1</sup> NAIC staff have been informed that make whole provisions are a form of a call feature that can be exercised by the issuer at any time; that they nonetheless are most frequently utilized near the end of the term of the instrument, generally in connection with refinancing; and that the cost to the issuer to exercise the make whole provision and associated financial reporting impacts, combined with the very low interest rate environment, make it much less likely that such provisions will be triggered, particularly within five years of issuance. Staff will continue their research, and assuming these observations are confirmed, the referenced criteria will continue to scope out make whole provisions.

73.71. Please fill in columns in Section 3A as follows for all capital instruments:

- [Sec 3A Col 1] **Name of Issuer** – Name of the company that issued the capital financial instrument.<sup>2</sup> Will populate automatically from the “Entity Identifier” column in this subsection.
- [Sec 3A Col 2] **Entity Identifier** – Provide the reference number that was input in Schedule 1.
- [Sec 3A Col 3] **Type of Financial Instrument** – Select type from the drop-down menu. Selections include Senior Debt, Surplus Notes (or similar), Hybrid Instruments and “Other” Subordinated Debt.
- [Sec 3A Col 4] **Instrument Identifier** – Provide a unique security identifier (such as CUSIP). ALL debt instruments must include an internal identifier if not external identifier is available.
- [Sec 3A Col 5] **Entity Category** – Links automatically to selection made on the “Inventory” tab worksheet.
- [Sec 3A Col 6] **Year of Issue** – Provide the year in which the financial instrument was issued or refinanced.
- [Sec 3A Col 7] **Year of Maturity** – Enter the year in which the financial instrument will mature.
- [Sec 3A Col 8] **Balance as of Reporting Date** – Enter the principal balance outstanding as reported in the general-purpose financial statements of the issuer.
- [Sec 3A Col 9] **Intragroup Issuance** – Select whether the instrument was issued on an intragroup basis (that is, issued to a related entity within the group). This column will be used to remove “double-counting.” This column is a drop-down menu box with options “Y” and “N.”
- [Sec 3A Col 10] **Treatment in Inventory B** – Select option that applies:
  - a. **Capital** – This instrument is recognized by the applicable regulator or credited as capital in local regulatory regime and reported as part of the adjusted carrying value of the issuer and was not purchased by an affiliate. This includes the value of qualifying senior and hybrid debt instruments (if recognized as capital) and U.S. surplus notes (or similar local regime instruments) that are issued to entities outside the group and included in the issuing entity's value recognized in the “Inventory B” tab. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital.
  - b. **Liability** – This instrument is reflected by the issuer as a liability in the adjusted carrying value in the “Inventory B” tab and was not purchased by an affiliate. This would apply to all qualifying senior and hybrid debt issued to purchasers outside the group that is not recognized as capital by the local regulator that are issued to entities outside the group~~and therefore is not~~ ~~included in the issuing entity's value recognized~~ in the “Inventory B” tab. The value will be included in the calculation of a proxy allowance for additional capital.

- c. **Liability designation** would also apply to all non-qualifying senior and hybrid instruments and all debt categorized as “Other” issued to purchasers outside the group that is not recognized as capital by the local regulator. The value of these instruments will NOT be included in the calculation for the in the calculation of a proxy allowance for additional capital.
- d. **Intragroup** – This would apply to all qualifying instruments purchased by an affiliate within the group. The outstanding value of those debt instruments will not be included in the calculation of a proxy allowance for additional capital. If the financial instrument is recognized or credited as part of the issuer’s available capital in Inventory B, then an adjustment for intragroup capital instruments is made in Inventory B, Column 4 and Inventory C adjustments (if necessary to eliminate an associated capital requirement). If the financial instrument is treated as a liability by the issuer, then no intragroup capital instrument adjustment is required in Inventory B or Inventory C.
- e. The outstanding value of all non-qualifying senior and hybrid instruments and financial instruments categorized as “Other Debt” whether issued to purchasers inside or outside the group will not be included in the calculation of a proxy allowance for additional capital and no other adjustments are required in the template. However, in the unlikely event that the instrument is treated as available capital to the issuer in Inventory B, an adjustment in Inventory B, Column 4 to remove the available capital would be required.

**NOTE:** Additional information on instruments categorized as “Other Debt” in the Type of Financial Instrument Column will require additional information to be provided in the “Questions and Other Information” tab.

**For intragroup surplus notes,** the adjustment will impact the carrying value and associated capital calculation of the purchasing affiliated entity.

- [Sec 3A Col 11] **Intragroup Purchaser Identifier** – Enter the entity identify for the affiliate entity that purchased the instrument.
- [Sec 3A Col 12] **Description of Other Debt Instruments** – Provide a description of instruments designated as “Other.”
- [Sec 3A Col 13] **Call Provisions Criteria** – Respond “Y” or “N” as to whether the instrument is subject to a call provision (other than a make whole provision) in the first five years AND it is management’s intent to replace the called instrument in full before or at redemption by a new issuance of the same or higher quality instrument. Respond “X” if the instrument has a maturity of greater than five years including any call provisions.
- [Sec 3A Col 14] **Potentially Recognized Instrument** – This is an automatic calculation to determine if this is instrument that has potential to be recognized as additional capital in the GCC and/or in sensitivity analysis. The column will show “Y” if each of the following is true: 1) it is Senior Debt, Hybrid or Other instrument; 2) the instrument is not intragroup; and 3) the instrument is treated as liability on Inventory B. These are calculated using Column 3, Column 9, and Column 10, respectively.
- [Sec 3A Col 15] **Other Criteria Met**– This is an automatic calculation to determine if instrument qualifies due to criteria beyond those in Column 14. The column will show “Y” if: 1) the instrument has initial maturity of greater than five years including any call

provision (i.e., “X” is reported in Column 13); and 2) it meets the “Call provisions criteria” in Column 13 (i.e., “Y” is reported in Column 13).

- [Sec 3A Col 16] **Qualified Debt** – This column is calculated automatically using data from the entries in Column 14 and Column 15. To qualify, an instrument needs a “Y” in both columns. It represents the amount of qualifying debt that will be used in the calculation of an allowance for addition capital under the alternate subordination method and the proxy allowance method. This amount will be carried into Section 3C, Column 1, Line 3.

74.72. Section 3C will be auto-filled, with the exception of Column 1, Line 2.

- [Sec 3C Col 1, Line 1] **Total Paid-In and Contributed Capital and Surplus** – This is the amount reported on Page 3 of the annual financial statement submitted to regulators by a U.S. insurer.
- [Sec 3C Col 1, Line 2] **Alternate Subordination Calculation** – This manual entry is the excess of qualifying debt issued over liquid assets held by the issuing consolidated holding company as reported in the consolidated financial statements. No entry is expected for a mutual group.
- [Sec 3C Col 1, Line 4] **Downstream Estimate** -The total reported under the alternate subordination approach will be compared to the total amount of gross paid-in or contributed capital and surplus reported by the insurance entities within the group as reported in Schedule 1. The greater value will be carried into the calculation for an additional capital allowance.

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- [Sec 3C Col 1, Line 5] **Proxy Calculation for Additional Capital Allowance** – A calculation will be made in this tab in Section 3B that will apply 30% of available capital plus the value of all qualifying debt to become part of the proxy allowance for additional capital for qualifying senior subordinated. An additional amount of 15% of available capital plus the value of all qualifying debt will be calculated to become part of a proxy allowance for additional capital be for hybrid debt.

**Summary Formula:** Proxy Amount = (30% x (Available Capital + Qualifying Senior and Hybrid Debt)) + (15% x (Available Capital + Qualifying Senior and Hybrid Debt))<sub>1</sub>

**NOTE:** No more than 100% of the total outstanding value of qualified senior and hybrid debt will be allowed into the calculation.

- [Sec 3C Col 1, Line 6 through Line 8] – The greater of the proxy calculation or the larger of paid in capital or alternate subordination calculation will be allowed as additional capital in [Sec 3C Col 6]. However, an overall limit of no more than 75% of the total adjusted carrying value in Inventory B will be applied in [Sec 3C Col 7]. Adjustments to increase available capital will be calculated from data on this page. The summary results of the components of the calculation (paid in capital and surplus, alternate subordination, proxy calculation and limitations) are populated as titled in the calculation columns in this section. The final amount recognized as additional capital is shown in [Sec 3C Col 8].
- The additional capital allowance recognized for capital instruments will be shown as an “on-top” adjustment in the “Summary 1 – Entity Level” tab.

**Summary Calculation for Debt Allowed as Additional Capital:**

Step 1: Calculate the following amounts:

- a) The greater of Total paid-in capital and surplus of U.S. insurers or the alternative subordination calculation (defined above)
- b) A proxy value (defined above)

Step 2: Take the greater of a) or b) from Step 1, and subject that amount to two limitations:

- First, the total amount to qualify as capital cannot exceed 100% of the total outstanding value of qualified senior and hybrid debt.
- Second, the total amount to qualify as capital cannot exceed 75% of the total adjusted carrying value in Inventory B.

After applying the two limitations in Step 2, the remaining amount is allowed as additional capital.

75.73. Informational calculation to include “Other Subordinated Debt” – A sensitivity analysis will be applied in [Sec 3C Col 2, Line 1 through Line 8] and carried into the “Summary 2” tab to adjust the amount of additional capital in the proxy calculation by the amount of “Other Debt” reported in [Sec 3C Col 8] issued to purchasers outside the group. This informational sensitivity analysis will include an additional allowance for such debt up to 15% of available capital plus the value of all qualifying debt including qualifying “Other” debt subject to the same limitations noted for the proxy allowance in general.

## Input 4 – Analytics

76.74. The entity type information supporting analytics summarized in Summary 3 – Analytics are pulled into this tab from data or information reported in other tabs in the GCC template. That data is exported into summaries in the “Summary 3 – Analytics” tab. Only 2020 data is currently to be populated. However, it is contemplated that going forward, data for prior years will also be populated such that it will provide the Lead State Regulator with metrics to identify trends over time.

## Input 5 – Sensitivity Analysis and Inputs

77.75. All The sensitivity analysis is ultimately calculated in the “Summary 2” tab. Most Inputs for the Analysis 1, 2, 5, 6, and 7 are not required in this tab. They are populated from other tabs as described below and automatically calculated into the analysis which are reported in the “Summary 2” tab. However certain analysis requires inputs from this tab. Inputs are required in this tab for Analysis 3, Analysis 4, Analysis 8, and Analysis 9. Those inputs are automatically pulled into the calculation in the Summary 2 tab. [FL62]Sensitivity Analysis are intended to provide the Lead State Regulator additional information that helps them better understand the financial condition of the group. Similar to the sensitivity analysis included in the legal entity RBC, it provides the regulator with additional information and allows them to consider “what-if” scenarios to better understand the impact of such items. The results of these analysis will not impact the GCC ratio.

- **[Analysis 1]: GCC overall sensitivity analysis** – No additional data is needed in the tab. The overall GCC ratio will be presented at 300% x ACL level. This calculation will increase the calculated capital for most entity types by a factor of 1.5. However, entities with existing regulatory capital requirements (e.g., foreign insurers and banks) will be reported at the same level specified in these instructions for both the GCC and the sensitivity analysis (i.e., at 100% of the jurisdictional or sectoral PCR requirements).
- **[Analysis 2]: Excluded non-insurance/non-financial entities without material risk** – No additional data is needed in the tab. The data for entities where exclusion has been requested and the lead state does not agree will be populated based on entries in [Sch 1B Col 3] and data in Inventory B, Column 2 and Inventory C, Column 2. This analysis will be applied and reported in the “Summary 2” tab. It will provide the regulator with the impact of excluding non-agreed-upon entities on the GCC ratio.
- **[Analysis 3 and Analysis 4]: Permitted practices** – This information shows the amount of U.S. permitted practices as described in the Preamble of the *Accounting Practices and Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio.
  - **Prescribed Practices** – This information to be entered on this tab shows the amount of U.S. prescribed and prescribed practices as described in the Preamble of the *Accounting Practices and Procedures Manual* and the sensitivity analysis allows the state to understand the size of the practices related to the overall group capital position and their impact on the GCC ratio. This analysis will be applied and reported in the “Summary 2” tab.

- **Permitted and Prescribed Practices** – Report values from annual financial statement Note 1 (excluding those pertaining to XXX/AXXX captives):
  - a. Entity identifier
  - b. Value of permitted practice
  - c. Capital Requirement attributable to permitted practice (if any)
  - d. Description of permitted practice
  - e. Value of prescribed practice
  - f. Capital requirement attributable to permitted practice (if any)
  - g. Description of prescribed practice
- **[Analysis 5]: Foreign Insurer Capital Requirements Scaled** – No additional data is needed in the tab. This information shows the amount of foreign insurer capital calculations scaled by applying scalars using the Excess Relative Ratio approach at a 200% x ACL RBC calibration level and at 300% x ACL for all non-U.S. jurisdictions where scalar data is available (see Appendix 1). The sensitivity analysis allows the state to understand the impact of this specific scaling method on the GCC ratio. This information is populated from the “Scalar” tab. This analysis will be applied and reported in the “Summary 2” tab.
- **[Analysis 6]: Debt Classified as “Other”** – No additional data is needed in the tab. The analysis data will be populated from the “Capital Instruments” tab and the analysis and will be applied and reported in the “Summary 2” tab.
- **[Analysis 7]: Alternative Capital Calculation for Non-Financial Entities** – No additional data is needed in the tab. The values reported will represent the alternative revenue-based values for capital calculation that is being captured in the template. The data will be populated from Schedule 1 and Inventory B and the analysis will be applied and reported in the “Scaling Non-Insurance” tab (Calc 2).
- **[Analysis 8]** For captives other than XXX/AXXX, all other U.S. captives shall make an asset adjustment as described below;

#### **Asset Impact**

**78.76.** For the asset impact, it is ONLY required for the assets included in a captive or an entity not required to follow the statutory accounting guidance in the *Accounting Practices and Procedures Manual*. It is not required for assets for those groups that retain such business in a non-captive traditional insurance company(ies) already required to follow the *Accounting Practices and Procedures Manual*.

**NOTE:** Variations for state prescribed and permitted practices are captured in the separate sensitivity analysis.

79.77. The asset impact amount shall be determined based on a valuation that is equivalent to what is required by the *Accounting Practices and Procedures Manual* (SAP). For this purpose, “equivalent” means that, at a minimum the listed adjustments (as follows) be made with the intent of deriving a valuation materially equivalent to what is required by the *Accounting Practices and Procedures Manual*, however, without requiring adjustments that are overly burdensome (e.g., mark-to market bonds used by some captives under U.S. GAAP versus full SAP that considers NAIC designations). To be more specific, the asset impact shall be developed by accumulating the impact on surplus because of an accumulation of all the following in paragraph 78 and paragraph 79 combined.

**NOTE:** Letters of credit or other financial instruments that operate in a manner like a letter of credit, which are not designated as an asset under either SAP or U.S. GAAP and are required to be adjusted out of the available assets (i.e., the asset reduction is recorded as a negative figure in the template).

80.78. To achieve the above, accumulate the effect of making the following impact and record as a negative figure in the template, an asset adjustment for all the following explicit assets not allowed to be admitted under SAP:

- Assets specifically not allowed under the *Accounting Practices and Procedures Manual* in accordance with paragraph 9 of SSAP No. 97—*Investments in Subsidiary, Controlled and Affiliated Entities*.
- SSAP No. 6—*Uncollected Premium Balances, Bills Receivable for Premiums, and Amounts Due from Agents and Brokers*.
- SSAP No. 16R—*Electronic Data Processing Equipment and Software*.
- SSAP No. 19—*Furniture, Fixtures, Equipment and Leasehold Improvements*.
- SSAP No. 20—*Nonadmitted Assets*.
- SSAP No. 21—*Other Admitted Assets* (e.g., collateral loans secured by assets that do not qualify as investments are nonadmitted under SAP).
- SSAP No. 29—*Prepaid Expenses*.
- SSAP No. 105—*Working Capital Finance Investments*.
- Expense costs that are capitalized in accordance with GAAP but are expensed pursuant to statutory accounting as promulgated by the NAIC in the *Accounting Practices and Procedures Manual* (e.g., deferred policy acquisition costs, pre-operating, development and research costs, etc.).
- Depreciation for certain assets in accordance with the following SSAPs:
  - SSAP No. 16R—*Electronic Data Processing Equipment and Software*.
  - SSAP No. 19—*Furniture, Fixtures, Equipment and Leasehold Improvements*.
  - SSAP No. 68—*Business Combinations and Goodwill*.
- The amount of goodwill of the SCA more than 10% of the audited U.S. GAAP equity of the SCA’s last audited financial statements.
- The amount of the net deferred tax assets (DTAs) of the SCA more than 10% of the audited U.S. GAAP equity of the SCA’s last audited financial statements.
- Any surplus notes held by the SCA issued by the reporting entity.

81.79. In addition, record as a negative figure, an asset impact for any assets that are not recognized as an admitted asset under the principles of SSAP No. 4—*Assets and Nonadmitted Assets*, including:

- Letters of credit, or other similar instruments, that operate in a manner like a letter of credit and, therefore, do not meet the definition of “asset” as required under paragraph 2.
- Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets that are unavailable due to encumbrances or other third-party interests, should not be recognized on the balance sheet and are, therefore, considered nonadmitted.
- Assets of an insurance entity pledged or otherwise restricted by the action of a related party, the assets are not under the exclusive control of the insurance entity and are not available to satisfy policyholder obligations due to these encumbrances or other third-party interests. Thus, such assets shall not be recognized as an admitted asset on the balance sheet.
- **[Analysis 9]: Other Regulator Discretion** – This analysis is designed to reflect other regulator adjustments including for transactions other than XXX/AXXX reinsurance where there are differences in regulatory regimes exist and there is a desire to fully reflect U.S. Statutory Accounting treatment or to reflect the lead state’s view of risk posed by financial entities without specified regulatory capital requirements or risk posed by non-insurance/non-financial entities that have been included in the GCC. This will be a post-submission item completed by the Lead State Regulator. Enter the following information here:
  - a. Entity identifier.
  - b. Amount of adjustment.
  - c. Description of regulatory issue.

**NOTE:** This column may also be completed by the filer after advance consultation with the Lead State Regulator.

## **Input 6 – Questions and Other Information**

82.80. This tab provides space for participants to describe or provide greater detail for specified entries in other tabs (as noted in the instructions for the columns in those tabs) or additional relevant information not captured in the template. Examples include ~~the materiality method applied to exclude entities in Schedule 1~~; adjustments for intragroup debt, description of permitted practices; ~~sealars proposed/supporting information for jurisdiction without a prescribed sealar~~; and adjustments to available capital or capital calculations that are included in the “other adjustment” column in the “Inventory” tab. Specified items are included in the tab. Other information that the filer believes is relevant should be added freeform in this tab.

### **Information or Detail for Items Not Captured in the Template**

- Intercompany Guarantees – Provide requested information:
  - a. Entity identifier issuing the guarantee.
  - b. Entity identifier of entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the guarantee.
  - d. Describe the nature of the guarantee.

- Capital Maintenance Agreements – Provide requested information:
  - a. Entity identifier obligated under the agreement.
  - b. Entity identifier for entity or entities that are covered by the guarantee.
  - c. Indicate the notional or fixed value of the agreement.
  - d. Describe the nature of the agreement.

**Information or Detail for Items Captured in the Template**

- Value of intangible assets included in non-insurance Holding Companies – Provide the requested information for all entities designated in the non-operating holding company entity category.
  - a. Entity identifier.
  - b. All goodwill.
  - c. All intangibles related to health care services acquisitions included in local carrying value column in Inventory B. Examples include, but are not limited to, customer relationships (policy retention, long-term health services contracts) and technology/patents/trade names and provider network contracts.
  - d. All other intangible assets included in local carrying value column in Inventory B.
  - e. Total of line b, line c and line d.\*
  - f. A description of each intangible asset included in line d.

\* Auto populated.

Further detail on amounts reported for specific intangibles other than goodwill may be requested by the Lead State Regulator during review of the GCC template.

**Information or Detail for Items Captured in the Template**

- Currency Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 2 is different than the amount in Inventory B, Column 1 due to currency conversion.
  - a. Entity identifier.
  - b. Currency type reported in Inventory B, Column 1 and Inventory C, Column 1 (foreign currency).
  - c. Conversion rate applied.
  - d. Source of conversion rate applied.
- Intragroup Assets – Description of Adjustments for intragroup assets reported in Inventory B, Column 6 and Inventory C, Column 6. Provide the following information:
  - a. Entity identifier.
  - b. Amount reported in Inventory B, Column 6.
  - c. Description of adjustment.
- Other Adjustments – Description of adjustments reported in Inventory B, Column 7 and Inventory C, Column 7. Provide the following information:
  - a. Entity identifier.
  - b. Amount reported in Inventory B, Column 7.
  - c. Description of adjustment.

- Accounting Adjustments – Provide requested information only for entities where the amount reported for an entity in Inventory B, Column 1 is different than the amount in Inventory B, Column 2 due to differences in accounting basis

- a. Entity identifier.
- b. Value reported in Inventory B, Column 1.\*
- c. Value reported in Inventory B, Column 2.\*
- d. Total amount of adjustments related to difference in accounting basis.\*
- e. Nature of adjustment (e.g., GAAP to SAP).

\* Auto populated.

- The tab also includes a listing of all Schedule A and Schedule BA affiliates, along with the following information:[FL63]

- a. Parent identifier (if available) – This is the same information as is included in Schedule 1 [**Sch 1B Col 3**] as would be entered for non-Schedule A/Schedule BA affiliates.
- b. Parent Name – Enter the Name of the Parent.
- c. Is Parent a Schedule A or Schedule BA Asset? – This column is only required for financial entities that are Directly owned by a Schedule A or Schedule BA Affiliate. No other downstream affiliates owned by Schedule A or Schedule BA entities need to be listed. These entities are not normally independently reported in Schedule A and Schedule BA so are extra entries.
- d. Financial? (Y/N) – If the entity meets the criteria as being a financial entity, indicate with a “Yes” response. A “No” response is not required for other entities listed. “Yes” entries should correspond to “Yes” entries in Schedule 1 [**Sch 1B Col 16**].
- e. Carrying Value of Immediate Parent – Report the value listed in Schedule A and Schedule BA of the Parent insurer. For those cases where an indirect financial entity is reported use the value used by the direct Parent.
- f. Capital Requirement for Immediate Parent – Report the value listed in the RBC report of the Parent insurer (pre-tax where applicable). For those cases where an indirect financial entity is listed, report the value of the capital requirement attributable to the Insurer rather than the direct non-financial Schedule BA Parent. The capital requirement reported in this column for the immediate Schedule BA Parent should be adjusted to deduct the amount moved to Schedule 1 and Inventory C.

## Calc 1 – Scaling (Insurance Entities)

83.81. All entries in this tab are calculation cells populated using data from within the tab or using data from elsewhere in the template. Scaled values for calculated capital will become part of the GCC ratio. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab. The concept of a scalar was first introduced to address the issue of comparability of accounting systems and capital requirements between insurance regulatory jurisdictions. The idea is to scale capital requirements imposed on non-U.S. insurers so as to be comparable to an RBC-based requirement. Two approaches for scaling related to foreign insurers were presented, and others are being explored and will be reviewed. A decision on the scaling methodology to be adopted into the GCC template will be made at the end of the review. In the interim a scalar of 100% of the jurisdictional PCR will be applied to all jurisdictions where a risk-sensitive capital requirement is in place.

84.82. Information on the Excess Relative Ratio (ERR) scalar methodology will be collected and applied in the “Sensitivity Analysis” tab.

**NOTE:** See Appendix 1 for more information and examples on how the ERR scalars are calculated.

85.83. For jurisdictions without risk-sensitive capital requirements a 100% charge will be applied to adjusted carrying value.

## Calc 2 – Capital Calculations for Non-insurance Entities

86.84. All entries in this tab are either calculation cells using data from within the tab or using data populated from elsewhere in the template. Calculated capital for all entities except insurers will be reported in this tab. The calculated values will be summarized by entity type in the “Summary 1 – Entity Level” tab.

87.85. In addition, one informational option for calculated capital for financial entities without an existing regulatory capital requirement and one informational option for calculated capital for non-financial entities will be reported in this tab. Those calculation will not be carried into the “Summary 1 – Entity Level” tab and will not be part of the GCC ratio.

88.86. Only amounts for entities that the filer and the Lead State Regulator agree should **not** be excluded [**Sch 1B Col 2**] will be brought into the calculation in this tab and the “Summary 1 – Entity Level” tab. Entities where the Lead State Regulator does not agree with the filer’s request to exclude an entity will be part of the GCC ratio.

## Summary 1 – Entity Level GCC Summary

89.87. Summarized results by entity type for the GCC ratio will be reported in this tab. An on top adjustment for debt allowed as additional capital will be added at the bottom of the table. All informational sensitivity analysis will be reported in Summary 2 and will not impact the GCC ratio.

## Summary 2 – Informational Sensitivity Tests

**90.88.** Summary results for each informational sensitivity analysis described in the “Sensitivity Analysis Inputs” tab will be shown here. Each sensitivity analysis will be shown on a stand-alone basis. It is expected that each informational sensitivity analysis will run automatically in the background and the results for each displayed in this tab. The results for the informational sensitivity analysis will not be included in the “Summary 1 – Entity Level” tab.

## Summary 3 – Analytics

**91.89.** Summary results for metrics described in the Analytics Guidance [insert attachment or appendix reference] and utilizing data collected in the “Input 4 – Analytics” tab or other tabs in the GCC will be calculated and presented here.

## Summary 4 – Alternative Grouping Option(s) (aka “Cigna Illustration”)

**92.90.** One sample alternative structure for grouping by entity typeentities or jurisdiction in the GCC is displayed based on a suggested method. It can be modified, or other suggestions can be accommodated based on combining data from **Schedule 1 and the Inventory** in defined ways.

This tab is intended to be an additional analytical tool. The tool summarizes the GCC based on how a reporting entity views its organization<sup>[TF64][FL65]</sup>, and provides regulators that view, to align it with regulatory information, other than what is reported elsewhere in the GCC template, that the reporting entity has submitted such as current filings, communications, etc. In this summary view, entities are organized into like regimes (e.g., RBC filers, foreign insurers, banks, financial, or non-financial entities) and multiple entities may be grouped together, in order to create a view of capital that is easy to review and analyze within each grouping. The intent of this approach is to provide an additional analytical tool designed to enhance dialogue between the Lead State Regulator and the company contemplated by the GCC filing. This view is transparent (no scalers, no adjustments, no de-stacking) so that financial information may be cross-walked to other financial submissions such as RBC filings. However, it does contain double counting of available and required capital<sup>[TF66][FL67]</sup> (“i.e., intra-company investments and transactions are not eliminated) and cannot be used to create a GCC ratio.

**93.91.** The results are dependent on how the reporting entity populated Input 1 – Schedule 1, Column 9 Alternative Grouping. For example, if you have a dozen small dental HMO businesses, you may wish to collapse the results to a single line called “Dental HMOs,” by populating Input 1 – Schedule 1, Column 9 Alternative Grouping for each dental HMO as “Dental HMOs.” Then right-click and select “Refresh” to see the results with the “Dental HMOs” combined.

**94.92.** For reference, the data for the Summary 4 – Grouping Alternative is from Calc 1 – Scaling (Ins, Bank), which is fed by the inputs made in Input 1 – Schedule 1, Input 2 – Inventory, etc.

## Appendix 1 – Explanation of Scalars

**95.93.** The concept of a scalar is to equate the local capital requirement to an adjusted required capital level that is comparable to U.S. levels. The purpose of a scalar is to address the issue of comparability of accounting systems and capital requirements between jurisdictions. The following provides details on how the scalars were calculated by the NAIC, or how they are to be used when the NAIC has not developed a scalar for a country due to lack of public data.

### Excess Relative Ratio Approach

**96.94.** Included below are various steps to be taken in calculating the excess relative ratio approach to developing jurisdiction-specific scalars. In order to numerically demonstrate how this approach could work, hypothetical capital requirements and financial amounts have been developed for Country A. Based on preliminary research that has been performed by NAIC staff, it appears that the level of conservatism built into accounting and capital requirements within a jurisdiction may differ significantly for life insurers and non-life insurers. Therefore, ideally each jurisdiction would have two different scalars based on the type of business. The example below includes information related to life insurers in the U.S. and Country A.

#### Step 1: Understand the Jurisdiction’s Capital Requirements and Identify the First Intervention Level

- a. The first step in the process is to gain an understanding of the jurisdiction’s capital requirements. This can be done in a variety of ways including reviewing publicly available information on the regulator’s website, reviewing the jurisdiction’s Financial Sector Assessment Program (FSAP) reports and discussions with the regulator.

In Country A, assume that the capital requirements for life insurers are based on a capital ratio, which is calculated as follows:

$$\text{Capital ratio} = \frac{\text{Total available capital}}{\text{Base required capital (RBC)}}$$

In the U.S., capital requirements are related to the insurer’s RBC ratio. For purposes of the Relative Ratio Approach, an Anchor RBC ratio is used and calculated as follows:

$$\text{Anchor RBC ratio} = \frac{\text{Total adjusted capital}}{100\% \text{ Company Action Level RBC}^*}$$

\* 100% Company Action Level RBC is equal to the Total RBC After Covariance before operational risk, without adjustment or 200% Authorized Control Level RBC.

- b. Similar to legal entity RBC requirements in the U.S., Country A utilizes an early intervention approach by establishing target capital levels above the prescribed minimums that provide an early signal so that intervention will be timely and for there to be a reasonable expectation that actions can successfully address difficulties. Presume that this target capital level is similar to the U.S. Company Action Level (CAL) event, both of which can be considered the first intervention level in which some sort of action—either on the part of the insurer or the regulator—is mandated. A separate sensitivity calculation will be applied in the GCC template using trend test level RBC.

- c. For Country A, the target capital level is presumed to be a capital ratio of 150%. That is, the insurer's ratio of total available capital to its BRC should be above 150% to avoid the first level of regulatory intervention. Again, this is similar to the U.S. CAL event, which is usually represented as an RBC ratio of 200% of Authorized Control Level (ACL) RBC (ignoring the RBC trend test). In the Relative Ratio approach, the Anchor RBC ratio represents the Company Action Level event (or first level of regulatory intervention) as 100% CAL RBC (instead of 200% ACL RBC), because CAL RBC is the reference point that is used to calibrate against other regimes. The Anchor RBC Ratio ( $\text{Total Adjusted Capital} \div 100\% \text{ CAL RBC}$ ) tells us how many "multiples of trigger level capital" that the company holds. Conceptualizing the CAL event as 100% CAL RBC allows the consistent definition of local capital ratios that are calibrated against a "multiples of the trigger level" approach, to ensure an "apples-to-apples" comparison.<sup>3</sup>

Step 2: Obtain Aggregate Industry Financial Data

97.95. The next step is to obtain aggregate industry financial data, and many jurisdictions include current aggregate industry data on their websites. Included below are the financial amounts for use in this exercise.

<i>U.S. Life Insurers – Aggregate Data</i>
Total Adjusted Capital = \$495B
Authorized Control Level RBC = \$51B
Company Action Level RBC = \$102B
<i>Country A Life Insurers – Aggregate Data</i>
Total Available Capital = \$83B
BRCA = \$36B

Step 3: Calculate a Jurisdiction's Industry Average Capital Ratio

98.96. To calculate a jurisdiction's average capital ratio, the aggregate total available capital for the industry would be divided by the minimum or base capital requirement for the industry in computing the applicable capital ratio. In Country A, this would be the BRC. In the U.S., this base or minimum capital requirement is usually seen as the ACL RBC, but because the Relative Ratio Approach is using 100% CAL RBC as a reference point to calibrate other regimes to, the Relative Ratio formula uses 100% CAL RBC as the baseline and the first-intervention level to calculate the Average Capital Ratio and Excess Capital Ratio. As a result, the scaled ratio of a non-U.S. company should inform regulators how many multiples of first-intervention level capital the non-U.S. company holds. Included below is the formula to calculate a jurisdiction's industry average capital ratio:

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While it is mathematically equivalent to use 200% ACL RBC as the denominator, the Approach is designed to use the representation of first-intervention level capital levels as the conceptual underpinning of the Relative Ratio Approach, where 100% CAL RBC is the reference point to calibrate against other regimes.

*Calculation of U.S. Industry Average Capital Ratio – Life Insurers*

<u>\$495B (Total Adjusted Capital)</u>	
\$102B (CAL RBC)	<b>= 485%</b>

*Calculation of Country A Industry Average Capital Ratio – Life Insurers*

<u>\$83B (Total Available Capital)</u>	
\$36B (RC)	<b>= 231%</b>

**Step 4: Calculate a Jurisdiction's Excess Capital Ratio**

99.97. The next step is to understand the level of capital the industry is holding above the first intervention level. Therefore, to calculate a jurisdiction's excess capital ratio, one would first need to calculate the amount of the capital ratio carried in excess of the capital ratio required at the first intervention level. This amount would then need to be divided by the capital ratio required at the first intervention level.

*General Excess Capital Ratio Formula*

<u>Average Capital Ratio – Capital Ratio at the First Intervention Level</u>	
Capital Ratio at the First Intervention Level	

100.98. Based on the formula above and information provided in Step 2 and Step 3, included below are how to calculate each jurisdiction's excess capital ratio.

**NOTE:** The first intervention level in the U.S. is defined in the Relative Ratio Approach as 100% CAL RBC, while the first intervention level in Country A is a capital ratio of 150%.<sup>4</sup>

*Calculation of U.S. Excess Capital Ratio – Life Insurers*

<u>485% (Average Capital Ratio) – 100% (Capital Ratio at the First Intervention Level)</u>	
100% (Capital Ratio at the First Intervention Level)	<b>= 385%</b>

*Calculation of Country A Excess Capital Ratio – Life Insurers*

<u>231% (Average Capital Ratio) – 150% (Capital Ratio at the First Intervention Level)</u>	
150% (Capital Ratio at the First Intervention Level)	<b>= 54%</b>

<sup>4</sup> 100% CAL RBC translates to an ACL RBC level of 200%, but for conceptual purposes, the Relative Ratio Approach refers to the U.S. first intervention level as 100% CAL RBC, as 100% CAL RBC is the reference point to which the Relative Ratio Approach calibrates other regimes. In other words, 100% CAL RBC ensures that the scaled ratio of Country A results in a ratio that determines how many multiples of first-intervention level capital that the company in Country A is holding.

Step 5: Compare a Jurisdiction's Excess Capital Ratio to the U.S. Excess Capital Ratio to Develop the Scalar

101.99. Based on the information above, the U.S. excess capital is 385%. In other words, life insurers in the U.S. carry approximately 385% more capital than what is needed over the first intervention level. Country A's excess capital ratio is 54%. That is, life insurers in Country A carry approximately 54% more capital than what is needed over the first intervention level.

102.100. To calculate the scalar, one would divide a jurisdiction's excess capital ratio by the U.S. excess capital ratio. Therefore, the calculation of Country A's scalar for life insurers would be  $54\% \div 385\% = 14\%$ . Therefore, Country A's scalar for life insurers would be 14%.

Step 6: Apply to the Scalar to the Non-U.S. Insurer's Amounts in the GCC

103.101. In order to demonstrate how the calculation of the scalar works, it would be best to provide a numerical example. For purposes of this memo, assume that a life insurer in Country A reports required capital of \$341,866 and total available capital of \$1,367,463. (These are the amounts previously used in a hypothetical calculation example that was discussed by the Working Group during its July 20, 2016, conference call.) As noted previously, the above information and calculation suggests that U.S. life insurers carry capital far above the minimum levels, while life insurers in Country A carry capital far closer to the minimum. Therefore, in order to equate the company's \$341,866 of required capital, we must first calibrate the BRC to the first regulatory intervention level by multiplying it by 150%, or Country A's capital ratio at the first intervention level. The resulting amount of \$512,799 is then multiplied by the scalar of 14% to get a scaled minimum required capital of \$71,792.

104.102. Further, the above rationale suggests that the available capital might also be overstated (because it does not use the same level of conservatism in the reserves) by the difference between the calibrated required capital of \$512,799 and the required capital after scaling of \$71,792, or \$441,007. Therefore, we should now deduct the \$441,007 from the total available capital of \$1,367,463 for a new total available capital of \$926,456. These two recalculated figures of required capital of \$71,792 and total available capital of \$926,456 is what would be included in the group's capital calculation for this insurer. These figures are further demonstrated below.

*Calculation of Scaled Amounts for GCC*

Amounts as Reported by the Insurer in Country A

Total available capital = 1,367,463

Minimum required capital (BRC) = 341,866

Calibration of BRC to 1<sup>st</sup> Regulatory Intervention Level

$341,866 (\text{BRC}) * 150\% = 512,799$

Scaling of Calibrated Minimum Required Capital

$512,799 (\text{Calibrated BRC}) * 14\% (\text{Scalar}) = 71,792 (\text{Difference of } 441,007)$

Scaled Total Available Capital

$1,367,463 (\text{Total Available Capital}) - 441,007 (\text{Difference in scaled required capital}) = 926,456$

105.103. Given these scaled amounts, one can calculate the numerical effect on the company's relative capital ratio by using the unscaled and scaled amounts included below.

	<i>Unscaled Amounts from Table Above</i>	<i>Scaled Amounts from Table Above</i>
Total Available Capital (TAC)	1,367,463	926,456
Base Required Capital (BRC)	<u>341,866</u>	<u>71,792</u>
Capital Ratio (= TAC ÷ BRC)	400%	1290%

106.104. Considering the fact that life insurers in Country A hold much lower levels of capital over the first intervention level as compared to U.S. life insurers, the change in the capital ratio from 400% (unscaled) to 1290% (scaled) appears reasonable and consistent with the level of conservatism that we understand is built into the U.S. life RBC formula driven primarily from the conservative reserve valuation.

### Stress / Scenario Proposal for GCC Trial Implementation

What follows is a proposal for a stress to be applied to the GCC to test how the limits on recognition of capital instruments as capital behave under stress. In designing this stress, an emphasis was placed on simplicity. The proposed scenario requires no input or calculation on the part of volunteers beyond that already necessary for completing the GCC template. Further scenarios, if any, could follow this same structure:

- (1) A scenario that includes one (or more) stresses to a Group's financial position
- (2) Specification of how each stress impacts the available capital and calculated capital for each type of legal entity
- (3) Input of the adjusted carrying value and adjusted calculated capital after the impact of the stress(es)
- (4) Re-calculation of the same calculations (e.g. application of limits on debt and scaling) and summary tables (including sensitivity tests)

#### Proposal

**Scenario:** A generic loss event that results in a proportional reduction in available capital across the Group's entire operations. What follows is a description based on a 10% reduction. A variation based on a 20% reduction will be tested as well.

**Specification:** The scenario should result in X% reduction (10% used in the example below) in the adjusted available capital for all non-holding company entities. For entities where calculated capital is a fixed percentage of available capital, there should be also reduction in calculated capital as well. As an approximation of the impact of the impact of this scenario on revenue, the calculated capital for financial entities with revenue-based exposure should reduce by X% as well.

**Inputs:** No direct input needed from Volunteers. Instead the inputs will be automatically calculated as follows—

Type of Entity	Impact on Adj Carrying Value	Impact on Adj Calc Capital
US Insurance Entities	10% reduction	No Impact
Fin (Banking and Other W Cap Req)	10% reduction	No Impact
Fin (Asset Mgmt and Other W/O Req)	10% reduction	10% reduction based on corresponding reduction in revenue
Non-US (w/ Risk Based CC)	10% reduction	No Impact on unscaled GCC though XS Relative Ratio factors should be adjusted for sensitivity test
Non-US (non-Risk Based))	10% reduction	10% reduction based on corresponding reduction in equity value
HoldCo	No Impact	No Impact
Other	10% reduction	10% Reduction based on corresponding reduction in equity value
Capital Instruments	No Impact	N/A

**Outputs:** The GCC template will be configured to automatically calculate outputs using the inputs above. This can be presented on an additive basis (e.g. start with reduction in available capital alone and then add the impact on each entity type's calculated capital one at a time building to the full scenario outlined in the chart, above).

Draft: 8/10/21

Group Solvency Issues (E) Working Group  
Virtual Meeting (*in lieu of meeting at the 2021 Summer National Meeting*)  
August 4, 2021

The Group Solvency Issues (E) Working Group met Aug. 4, 2021. The following Working Group members participated: Justin Schrader, Chair (NE); Jamie Walker, Vice Chair (TX); Kim Hudson (CA); Kathy Belfi (CT); Charles Santana (DE); Virginia Christy (FL); Kim Cross (IA); Cindy Andersen, Susan Berry and Eric Moser (IL); Roy Eft (IN); John Turchi (MA); Judy Weaver (MI); Shannon Schmoeger (MO); Diana Sherman (NJ); Margot Small (NY); Dale Bruggeman (OH); Doug Stolte (VA); and Amy Malm (WI).

1. Discussed Proposed Revisions to the *Financial Analysis Handbook*

Mr. Schrader stated that the primary purpose of the meeting is to discuss comments received on the public exposure of proposed revisions to the NAIC's *Financial Analysis Handbook* (Handbook), which were developed by the ComFrame Financial Analysis Drafting Group. The proposed revisions are intended to incorporate elements of the International Association of Insurance Supervisors' (IAIS') Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) deemed appropriate for the U.S. system of solvency regulation.

Mr. Schrader stated that the proposed revisions were exposed for a 60-day public comment period and that five comment letters were received during the exposure. Mr. Schrader stated that the focus of the meeting will be to discuss the comments received at a high level, before asking the Drafting Group to consider the development of a revised draft in response to the comments received.

Robert Neill (American Council of Life Insurers—ACLI) provided an overview of the topics covered in the ACLI comment letter, which included concerns related to the scope of insurers that proposed procedures could be applied to, the appropriateness of placing guidance on determining the head of an internationally active insurance group (IAIG) in the Handbook, and concerns regarding references to IAIS Insurance Core Principles (ICPs) and application papers within the Handbook. In addition, Mr. Neill recommended that the Handbook language allow for more flexibility in approaches to governance, control, and risk management functions and expressed concerns over language referencing the IAIS' insurance capital standard (ICS).

In response to the scoping issue, Mr. Schrader stated that the Drafting Group thinks that the newly proposed procedures should not restrict the existing ability of state insurance regulators to conduct holding company analysis and examination procedures as they see fit in accordance with a risk-focused approach to financial surveillance. Therefore, while they are primarily intended for use in conducting analysis of IAIGs, the proposed language states that analysts can use judgment in determining whether the procedures should be applied to a broader range of insurance groups. Mr. Schrader also stated that the Drafting Group is likely open to working on some additional clarifying language in this area. Ms. Belfi stated her agreement with this approach and asked how the proposed procedures exceed existing authority to regulate large insurance groups that do not currently qualify as non-IAIGs.

Mr. Neill stated that although broad authority is available to state insurance regulators in overseeing holding company groups, statutes do not go into detail in describing the type of procedures to be performed. Mr. Neill stated that ACLI members think that the ComFrame elements were designed for IAIGs and to extend them to a broader group of companies could be exceeding the intent of existing legal authority. Mr. Schrader stated that the intent of the Drafting Group was not to blur the lines of regulation between IAIGs and non-IAIGs, but rather to preserve the existing ability of state insurance regulators to conduct holding company oversight as they deem appropriate. Therefore, the Drafting Group can consider clarifying language in this area.

Mr. Schrader stated that the intent of the Drafting Group behind including guidance on determining the head of the IAIG in the Handbook was to encourage state insurance regulators to consider applying the ComFrame considerations at a level below the ultimate controlling person, when appropriate. Mr. Schrader stated that the requirements and oversight outlined in the *Insurance Holding Company System Regulatory Act* (#440) generally apply at the ultimate controlling person or holding company registrant level. However, there may be situations in a conglomerate group where the insurance operations are overseen at a subsidiary or intermediate holding company level. Therefore, providing guidance to assist state insurance regulators in using discretion in determining the level of the group to focus on in conducting analysis procedures was deemed appropriate for inclusion in the Handbook. Ms. Belfi asked whether the guidance would preclude the state insurance regulator from conducting

procedures at the ultimate controlling person level if that was deemed necessary, and Mr. Schrader stated that it would not. Ms. Berry added that the assessment of the head of the IAIG should be revisited periodically and is the responsibility of the group-wide supervisor, in consultation with other supervisory college members. Mr. Neill stated that he would share this perspective with the ACLI members, but that the way that head of the IAIG is defined within ComFrame may not be a perfect fit for the U.S. system of insurance regulation and should, therefore, be carefully considered and evaluated to determine whether it is in accordance with Model #440.

Mr. Schrader stated his agreement with the need to allow for flexibility in approaches to governance, control, and risk management functions within the Handbook guidance and believes that this was the intent of the Drafting Group. However, he stated that the Drafting Group can consider some additional clarifying language in that area. Mr. Schrader stated that the Drafting Group's intent behind including references to the ICS in the Handbook was not to expect or require ICS reporting by IAIGs, but rather to encourage group-wide supervisor review and consideration if ICS reporting is being prepared on a voluntary basis by certain IAIGs during the monitoring period. Mr. Schrader stated that given the key role that the ICS plays within ComFrame guidance and the ongoing implementation in other jurisdictions, that Handbook guidance would be incomplete without some background information on ICS.

Steve Broadie (American Property Casualty Insurance Association—APCIA) stated that APCIA members endorse the comments made by the ACLI in this area and oppose references to the ICS in the Handbook as a tool for group capital assessment because it is developed for a different system of evaluating group solvency and based on a different accounting system. Mr. Schrader stated that as several IAIGs are currently filing an ICS with their group-wide supervisor during the monitoring period, those supervisors would be expected to review the filing, and the Handbook guidance should so indicate. Ms. Weaver stated that it may also be helpful for other state insurance regulators who are involved in supervising non-U.S. based IAIGs to have some background information on the ICS so that they can understand how it is being used in other jurisdictions. Keith Bell (Travelers) stated that part of the issue here is that the ICS is currently in a monitoring period and not really a regulatory standard for anyone yet. As such, the Handbook should only address the ICS when and if it becomes a regulatory requirement for U.S.-based groups. Mr. Schrader stated that it is obvious that various interested parties have strong feelings on this topic and encouraged the Drafting Group to review and consider the comments received.

Bob Ridgeway (America's Health Insurance Plans—AHIP) provided an overview of the comment in the AHIP letter, which focused on the scope of companies that the proposed procedures could be applied to. He stated that the new guidance cites Section 7.1 of Model #440 as the authority to conduct the procedures, and that section of the act relates specifically to the group-wide supervision of IAIGs. Therefore, the law does not grant state insurance regulators to apply these measures to non-IAIG groups. Mr. Schrader stated that Section 7.1 is primarily focused on the identification of IAIGs and outlining the role of a group-wide supervisor but does highlight certain areas of group governance and risk exposures that should be assessed by the group-wide supervisor. However, Mr. Schrader said he does not interpret that to mean that these same areas cannot be reviewed for other groups, just that they are required to be reviewed for IAIGs. Ms. Belfi stated that other sections of Model #440, including Section 6 on examinations, provide broad authority to conduct procedures as deemed appropriate for all insurance holding company systems. Therefore, Ms. Belfi stated that such authority would allow such procedures to be performed on a broader range of insurers. Mr. Schrader asked NAIC staff to seek the opinion of its legal division on the regulatory authority outlined in Model #440 to conduct monitoring procedures for holding company groups and to return and report the results to the Working Group.

Mr. Broadie provided an overview of the APCIA letter and stated that it covers many of the same topics that were already discussed by the ACLI. Mr. Broadie stated that he will cover three topics from the letter that have not yet been discussed. First, he stated that APCIA members are opposed to including references to the IAIS ICPs and Application Papers within the Handbook as this could be seen as incorporating all IAIS standards by reference, which would not be appropriate for the U.S. system. Second, Mr. Broadie stated that proposed language in the Handbook appears to expect a group-wide Corporate Governance Annual Statement or Own Risk and Solvency Assessment (ORSA) Summary Report to be filed by IAIGs, which could exceed the authority granted by the existing legislation in those areas. Finally, Mr. Broadie stated that several areas in the proposed Handbook guidance appear to expect IAIGs to have group-wide processes or functions that are too prescriptive and would not allow appropriate flexibility for various types of corporate structures.

Mr. Schrader stated that the intent behind placing references to IAIS ICPs and Application Papers in the Handbook was to highlight additional background information and reference material to analysts and was not an attempt to incorporate by reference. Mr. Schrader stated that the Drafting Group should develop language to clarify the intent in this regard. Regarding the second comment, Mr. Schrader stated that it will be necessary for the supervisor to obtain information on group practices in certain areas to conduct the assessments outlined in ComFrame. As such, the Handbook guidance states that logical sources

for this information would be the Corporate Governance Annual Disclosure and the ORSA Summary Report, if they are provided at the head of the IAIG level. However, the Handbook cannot and does not require filings to be made at that level, so it will be up to the group-wide supervisor to determine the best way to obtain the necessary information. Mr. Schrader also stated that this topic will likely be addressed in more detail as drafting work moves forward on the ORSA Guidance Manual, which will be discussed later in the agenda. Regarding the third comment, Mr. Schrader stated that the Drafting Group's intent was to provide flexibility in approaches to group governance and processes, but that additional language can be considered to make expectations clearer in this regard.

Joe Zolecki (Blue Cross and Blue Shield Association—BCBSA) stated his support for the comments made in the other letters and focused his comments on the scope issue. Mr. Zolecki stated that his members would encourage the deletion of language stating that the new procedures added to the Handbook could be performed in non-IAIG group analysis. However, if the Drafting Group's intent is to prepare companies that are approaching the IAIG threshold for that additional level of regulation, then the BCBSA comment letter has some specific language recommendations to address this issue. Mr. Schrader stated that the Drafting Group would review and consider this language in developing an updated draft.

Ms. Cross stated that Iowa had no additional comments to make on their letter. Mr. Schrader thanked the Iowa Department of Insurance (DOI) for its comments and stated that the Drafting Group will consider them in developing an updated draft.

## 2. Received an Update on Other Drafting Efforts

Mr. Schrader stated that two other drafting groups have begun meeting to develop proposed revisions to the NAIC's *Financial Condition Examiners Handbook* and ORSA Guidance Manual to incorporate ComFrame elements as deemed appropriate for the U.S. system of insurance regulation. Mr. Schrader stated that the intent of the Working Group will be to adopt the proposed ComFrame revisions to all three NAIC publications together as a package later this year once they have all been fully developed and vetted.

## 3. Discussed IAIS Consultation

Mr. Schrader stated the IAIS has released a revised *Application Paper on Supervisory Colleges* for public consultation. Feedback on this Application Paper is due to the IAIS by Aug. 24. This paper has been updated to reflect subsequent developments of IAIS supervisory materials, in particular revisions to ICP 3 (Information Sharing and Confidentiality Requirements) and ICP 25 (Supervisory Cooperation and Coordination), and the adoption of ComFrame.

Mr. Schrader encouraged Working Group members to review the revised Application Paper and provide comments to the International Insurance Relations (G) Committee for submission to the IAIS. Interested parties were also encouraged to review the revised Application Paper and submit their own comments to the IAIS.

Having no further business, the Group Solvency Issues (E) Working Group adjourned.

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Draft: 5/21/21

Group Solvency Issues (E) Working Group  
Virtual Meeting  
May 19, 2021

The Group Solvency Issues (E) Working Group met May 19, 2021. The following Working Group members participated: Justin Schrader, Chair (NE); Jamie Walker, Vice Chair (TX); Susan Bernard and Kim Hudson (CA); Kathy Belfi (CT); Charles Santana (DE); Robert Ridenour (FL); Kim Cross (IA); Cindy Andersen, Susan Berry and Eric Moser (IL); Roy Eft (IN); Judy Weaver (MI); Shannon Schmoeger (MO); Diana Sherman (NJ); Margot Small (NY); Dale Bruggeman and Tim Biler (OH); Kimberly Rankin and Melissa Greiner (PA); Doug Stolte (VA); and Amy Malm (WI).

1. Discussed Proposed Revisions to the *Financial Analysis Handbook*

Mr. Schrader stated that the primary purpose of the meeting is to discuss proposed revisions to the NAIC's *Financial Analysis Handbook*, which have been developed by the ComFrame Financial Analysis Drafting Group. He stated that the Working Group met in July 2020 and decided to form three separate drafting groups to develop revisions to the *Financial Analysis Handbook*, *Financial Condition Examiners Handbook*, and *NAIC Own Risk and Solvency Assessment Guidance Manual* (ORSA Guidance Manual) to incorporate elements of the International Association of Insurance Supervisors' (IAIS's) Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) deemed appropriate for the U.S. system of solvency regulation.

Several states volunteered to participate in the drafting groups, and an initial organizational call of volunteers was held in September 2020. During that call, the volunteers determined that the Drafting Group should proceed first in the development of its proposed revisions, as the *Financial Analysis Handbook* is expected to house many of the ComFrame elements deemed appropriate for the U.S. system.

Mr. Schrader stated that the Drafting Group, consisting of state insurance regulators from Illinois, Michigan, Missouri and Nebraska met eight times to work through discussions on various ComFrame elements. As a result of these discussions, an extensive set of edits were developed for the group-wide supervision section of the *Financial Analysis Handbook*, spanning almost 100 pages of guidance. Mr. Schrader stated that in addition to revisions, the Drafting Group developed a memorandum to describe the changes and map them to specific ComFrame elements.

Bruce Jenson (NAIC) provided an overview of the proposed edits, noting that the only sections of Chapter VI. Group-Wide Supervision that did not receive any proposed edits included Section VI.G. Form F – Enterprise Risk Report Procedures and Section VI.H. Periodic Meeting with Company Procedures. He also stated that the new guidance makes it clear that ComFrame additions are not intended to only apply to internationally active insurance groups (IAIGs), but they should also be considered for other large insurance groups that do not yet meet the IAIG criteria. He also stated that new guidance encourages the consideration of a team-based approach to IAIG supervision, recommending the integration of financial analysts, financial examiners, department supervisors and specialists into a cohesive unit that facilitates the ongoing supervision of an IAIG. As such, he stated that the proposed guidance addresses a similar recommendation received by the Working Group in response to the 2019/2020 Financial Sector Assessment Program (FSAP).

Ms. Weaver stated that Drafting Group members consisted of experienced state insurance regulators that participate as both home and host supervisors of IAIGs, which enabled the Drafting Group to incorporate practical experiences in determining the elements of ComFrame appropriate for the U.S. system of solvency regulation. She also stated that the proposed revisions will require judgment and customization in applying them to insurance groups, and they should not be seen as a set of prescriptive procedures to be performed for every group.

Robert Neill (American Council of Life Insurers—ACLI) thanked the Drafting Group for its efforts and for the overview of the proposed revisions, and he stated that interested parties are looking forward to reviewing and offering comments. Tom Finnell (America's Health Insurance Plans—AHIP) asked whether the Working Group would consider exposing the proposed revisions for a 60-day public comment period to allow sufficient time to review the extensive revisions. Mr. Schrader, Mr. Jenson and Ms. Weaver stated that a 60-day public comment period should still allow the proposed revisions to be finalized and adopted ahead of the Fall National Meeting, which is the cutoff for adopting revisions for publication in next year's *Financial Analysis Handbook*.

Ms. Berry made a motion, seconded by Ms. Rankin, to expose the proposed revisions to the *Financial Analysis Handbook* for a 60-day public comment period. The motion passed unanimously.

Having no further business, the Group Solvency Issues (E) Working Group adjourned.

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Date: 6/8/21

Mortgage Guaranty Insurance (E) Working Group  
Virtual Meeting  
May 18, 2021

The Mortgage Guaranty Insurance (E) Working Group of the Financial Condition (E) Committee met May 18, 2021. The following Working Group members participated: Kevin Conley, Chair, Jackie Obusek and Richard Kohan (NC); Kurt Regner (AZ); Monica Macaluso (CA); Robert Ballard (FL); Jay Buschmann (MO); Michael Campanelli (NY); Melissa Greiner (PA); Chris Miller (TX); and Amy Malm (WI).

1. Update on the State Regulatory Mortgage Insurance Capital Standard Model (SRMICS)

Mr. Conley commented that the mortgage insurers will be required to file the SRMICS on a direct basis and tabulate it within the schedules of the mortgage guaranty annual supplement (supplement), which will be available to all state insurance regulators as a monitoring tool. He indicated that SRMICS would not provide the ability to take regulatory action, similar to risk-based capital (RBC). Mr. Conley commented that the plan is to leave all the Milliman risk-based components in place. He commented that in the fall of 2019, when the mortgage insurers were asked to run the SRMICS against their 2018 data, the output did not create a high enough standard, which would necessitate state insurance regulators to default to the 25:1 risk-to-capital rule. Mr. Conley indicated that he used 10 years of data from his domestics to run stress scenarios to determine a change in the base rate. As a result of the stress testing, the base rate changed from 0.55 to 1.1. He indicated the Milliman was agnostic about the base rate as it knew it would require calibration to get it just right.

Mr. Conley stated that North Carolina is proposing to remove the 1% expense margin. Further, he indicated that SRMICS will follow the Private Mortgage Insurer Eligibility Requirements (PMIERS) by removing explicit premium credits and scaling down the seasoning factors. He stated that SRMICS is capital-based focusing on reserves, whereas PMIERS is an asset-based formula. He commented that seasoning factors are required as reserves are booked and the mortgage insurer recognizes potential losses as the book years age. Mr. Conley commented that the economic factors require input from Moody's Investors Service regarding the home price index and from the U.S. Bureau of Labor Statistics (BLS) for the consumer price index. He stated that he updated all the economic factors for each state and quarter for 2019 and 2020. Mr. Conley commented that William Meers (Arch Mortgage Insurance) confirmed the economic factors. Mr. Conley indicated that the updated SRMICS factors would be emailed to the mortgage insurers by the end of the week. The mortgage insurers would complete SRMICS based on 2020 data. Further, he indicated there would be no need to complete the premium credit triangle. Mr. Conley indicated that the goal is to put in place a capital standard that is less stringent than PMIERS.

The mortgage insurers agreed on returning the completed SRMICS to the Working Group by June 30. Tony Shore (Essent Guaranty) commented that the vintage earned premium table remains in the supplement. However, he said it is not being used in SRMICS. Mr. Conley commented that the Supplement will require the mortgage insurers to tabulate earned premiums on a book year basis historically for 20 years. He commented further that because the two-year premium credit is being removed, state insurance regulators would have access to premium growth and can project ultimate premium in order to tabulate future inflows. Mr. Shore commented that a non-historical aggregate value would serve the same purpose.

Since SRMICS will be used as a tool to assess capital, rather than integrating it into RBC, Ed Hartman (Genworth Financial) questioned how state insurance regulators would use SRMICS. Mr. Conley commented that there was discussion on relaxing the contingency reserve requirements with the reliance on SRMICS. Further, he commented that this is not being proposed now; it may be considered once state insurance regulators are more comfortable with the results of SRMICS. Mr. Conley commented that once the SRMICS filings are received and reviewed, he will provide the next steps to the Working Group.

Having no further business, the Mortgage Guaranty Insurance (E) Working Group adjourned.

Draft: 6/8/21

Mortgage Guaranty Insurance (E) Working Group  
E-Vote  
April 9, 2021

The Mortgage Guaranty Insurance (E) Working Group of the Financial Condition (E) Committee conducted an e-vote that concluded April 9, 2021. The following Working Group members participated: Kevin Conley, Chair (NC); Kurt Regner (AZ); Monica Macaluso (CA); Robert Ballard (FL); John Rehagen (MO); Margot Small (NY); Melissa Greiner (PA); Chris Miller (TX); and Amy Malm (WI).

1. Adopted the Mortgage Guaranty Insurance Exhibit and Instructions

The Working Group conducted an e-vote to consider adoption of the 2020 Mortgage Guaranty Insurance Exhibit and Instructions. The motion passed with a majority of members voting in favor of adopting.

Having no further business, the Mortgage Guaranty Insurance (E) Working Group adjourned.

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Draft: 8/5/21

Mutual Recognition of Jurisdictions (E) Working Group  
and Group Capital Calculation (E) Working Group  
Virtual Meeting  
July 20, 2021

The Mutual Recognition of Jurisdictions (E) Working Group of the Financial Condition (E) Committee met in a joint session with the Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee July 20, 2021. The following Mutual Recognition of Jurisdictions (E) Working Group members participated: Robert Wake, Chair (ME); Monica Macaluso, Vice Chair (CA); Kathy Belfi (CT); Virginia Christy (FL); Tom Travis (LA); Shelley Woods and John Rehagen (MO); Lindsay Crawford (NE); Diana Sherman (NJ); Michael Campanelli (NY); Kimberly Rankin (PA); and Amy Garcia (TX). The following Group Capital Calculation (E) Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Philip Barlow (DC); Ray Spudeck (FL); Carrie Mears (IA); Kevin Fry (IL); Gary D. Anderson (MA); Judy Weaver (MI); Kathleen Orth (MN); Jackie Obusek (NC); Justin Schrader (NE); David Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman (OH); Kimberly Rankin (PA); Trey Hancock (TN); Jamie Walker (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. Discussed the Draft of the *Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation*

Mr. Wake stated that the Mutual Recognition of Jurisdictions (E) Working Group received a charge to prepare a list of foreign jurisdictions that recognize and accept the group capital calculation (GCC). Dan Schelp (NAIC) stated that the meeting materials contain a draft of the *Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation* (GCC Process) (Attachment Six-A) and the Appendix: Letter Templates (Attachment Six-B). He provided the background and an overview of the GCC Process document, and he recommended that the Mutual Recognition of Jurisdictions (E) Working Group expose the documents for a 30-day public comment period. Mr. Rehagen asked for clarification on when a letter must be sent to the International Association of Insurance Supervisors (IAIS). Mr. Schelp stated that in order to satisfy the requirements of Sections 21D(1)(b) and 21D(2) of the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), the competent regulatory authority of a non-U.S. jurisdiction in which no U.S. insurance groups operate shall provide the NAIC with a written letter, and a copy must be submitted to the IAIS.

Mr. Rehagen made a motion, seconded by Mr. Travis, for the Mutual Recognition of Jurisdictions (E) Working Group to expose the draft of the *Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation* with the Appendix: Letter Templates for a 30-day public comment period ending Aug. 20. The motion passed unanimously.

Having no further business, the Mutual Recognition of Jurisdictions (E) Working Group and the Group Capital Calculation (E) Working Group adjourned.

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**Draft: 07/01/2021 from Mutual Recognition of Jurisdictions (E) Working Group**



# **Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation**

**Mutual Recognition of Jurisdictions (E) Working Group**

***Process for Evaluating Jurisdictions that Recognize and Accept  
the Group Capital Calculation***

- 1. Group Capital Calculation.** On December 9, 2020, the NAIC adopted revisions to the NAIC *Insurance Holding Company System Regulatory Act* (#440) and *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450). These revisions implement the Group Capital Calculation (GCC) filing requirements for insurance groups at the level of the ultimate controlling person for the purposes of evaluating solvency at the group level. The revisions specifically provide that the requirement to file the NAIC's GCC applies to U.S.-based groups, while a group headquartered outside the U.S. is exempt from the GCC (subject to limited exceptions)<sup>1</sup> if its group-wide supervisor "recognizes and accepts" the GCC for U.S. groups doing business in that jurisdiction. Likewise, a U.S. group subject to a group capital calculation specified by the Federal Reserve Board is exempt from the GCC. This process codifies the concepts of mutual recognition and one group/one group-wide supervisor.
- 2. NAIC Listing Process.** Section 4L(2) of Model #440 provides two ways a non-U.S. jurisdiction may meet the standards for its insurance groups to be exempt from the GCC:
  - If the jurisdiction has been determined to be a Reciprocal Jurisdiction for purposes of credit for reinsurance, which includes a requirement that the jurisdiction "recognizes the U.S. state regulatory approach to group supervision and group capital";<sup>2</sup> or
  - If the jurisdiction has otherwise been determined to recognize and accept the GCC by procedures specified in regulation.

Jurisdictions meeting either of these criteria will be referred to informally as "'Recognize and Accept' Jurisdictions." Sections 21D and 21E of Model #450 provide a general framework for how the process to identify "'Recognize and Accept'" Jurisdictions will work and specifically contemplates the development of a list of such jurisdictions through the NAIC Committee Process. The purpose of this document is to provide a documented evaluation process for creating and maintaining this list of jurisdictions that recognize and accept the GCC.

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<sup>1</sup> Under Section 4L(2)(e) of Model #440, if the worldwide insurance operations of a non-U.S. group are exempt from the GCC, the group's U.S. Lead State Commissioner may nevertheless require a GCC that is limited to the group's U.S. operations if: "after any necessary consultation with other supervisors or officials, it is deemed appropriate by the lead state commissioner for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace." A group's exemption is also contingent on the group providing sufficient information to the lead state, directly or through the group-wide supervisor, sufficient to enable the lead state to comply with the group supervision approach set forth in the *NAIC Financial Analysis Handbook*.

<sup>2</sup> Model #440, § 4L(2)(c).

3. **Covered Agreements.** The GCC and the “recognize and accept” process are intended to comply with the requirements under the “*Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance*”, which was signed on September 22, 2017. On December 18, 2018, a similar Covered Agreement was signed with the United Kingdom (UK) (collectively “Covered Agreements”). The Covered Agreements require the elimination of reinsurance collateral requirements for certain reinsurers licensed and domiciled in participating jurisdictions, and limit the worldwide application of prudential group insurance measures on insurance groups based in participating jurisdictions. Specifically, the Covered Agreements provide that U.S. insurers and reinsurers can operate in the EU and UK without subjecting the U.S. parent to the host jurisdiction’s group-level governance, solvency and capital, and reporting requirements, and also provide the same protections for EU and UK insurers and reinsurers operating in the U.S. However, the Covered Agreements only exempt U.S., EU and UK insurance groups from each other’s worldwide group capital requirements if the home supervisor performs worldwide group capital assessments on its own insurance groups and has the authority to impose preventive and corrective measures.
4. **Reciprocal Jurisdictions.** In response to the Covered Agreements, the NAIC also amended the *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) to provide that jurisdictions that are subject to in-force covered agreements are considered to be “Reciprocal Jurisdictions,” and large, financially strong reinsurers that are based in those jurisdictions are not required to post reinsurance collateral. In addition, a “Qualified Jurisdiction” under Section 2E of Model #785 may become a Reciprocal Jurisdiction if, among other requirements, it “recognizes the U.S. state regulatory approach to group supervision and group capital.” By the terms of the Covered Agreements, insurance groups based in EU Member States and the UK are entitled to exemption from the extraterritorial application of the U.S. GCC, and Section 4L(2)(c) of Model #440 recognizes that other Reciprocal Jurisdictions, which have made the same commitment, are entitled to the same treatment.
5. **Other Jurisdictions that Recognize and Accept.** In addition, because most of the requirements for Reciprocal Jurisdiction status are not relevant to group capital and group supervision, Section 4(L)(2)(d) of Model #440 provides an alternative pathway for the exemption. The ultimate controlling person of an insurance holding company system whose non-U.S. group-wide supervisor is not in a Reciprocal Jurisdiction is exempted from filing the GCC as long as the jurisdiction of its group-wide supervisor “recognizes and accepts” the GCC, as specified by the commissioner in regulation. Section 21D of Model #450 provides that a non-U.S. jurisdiction is considered to “recognize and accept” the GCC if it satisfies the following criteria:
  - (a) The non-U.S. jurisdiction recognizes the U.S. state regulatory approach to group supervision and group capital, by providing confirmation by a competent regulatory authority, in such

jurisdiction, that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction;

- (b) Where no U.S. insurance groups operate in the non-U.S. jurisdiction, that non-U.S. jurisdiction indicates formally in writing to the lead state with a copy to the International Association of Insurance Supervisors that the group capital calculation is an acceptable international capital standard. This will serve as the documentation otherwise required in Section 21D(1)(a);
- (c) The non-U.S. jurisdiction provides confirmation by a competent regulatory authority in such jurisdiction that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and such jurisdiction, including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC. The commissioner shall determine, in consultation with the NAIC Committee Process, if the requirements of the information sharing agreements are in force;
- (d) Notwithstanding these exemptions, Section 4L(2)(e) of Model #440 provides that a lead state commissioner shall require the group capital calculation for U.S. operations of any non-U.S. based insurance holding company system from a Reciprocal Jurisdiction or “Recognize and Accept” Jurisdiction where, after any necessary consultation with other supervisors or officials, it is deemed appropriate by the commissioner for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace. Section 21E(1) of Model #450 then provides that to assist with a determination under Section 4L(2)(e) of Model #440, the list will also identify whether a jurisdiction that is exempted under either Sections 4L(2)(c) and 4L(2)(d) requires a group capital filing for any U.S.-based insurance group’s operations in that non-U.S. jurisdiction.

**6. Mutual Recognition of Jurisdictions (E) Working Group.** On March 8, 2021, the Financial Condition (E) Committee repositioned the Qualified Jurisdiction (E) Working Group to report directly to the Committee and revised the name of the group to the Mutual Recognition of Jurisdictions (E) Working Group. The Working Group received the additional charge of developing a process for evaluating jurisdictions that meet the NAIC requirements for recognizing and accepting the GCC (“*Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation*,” or

“Recognize and Accept” Process). A separate process exists for evaluating Qualified and Reciprocal Jurisdictions (“*Process for Evaluating Qualified and Reciprocal Jurisdictions*”), and it is intended that the “Recognize and Accept” Process will closely mirror this process. The Committee charged this Working Group with developing and implementing the “Recognize and Accept” Process due to this Working Group’s experience and expertise in evaluating the insurance regulatory systems of non-U.S. jurisdictions and their recognition of U.S. group-wide supervision.

7. **List of Jurisdictions that Recognize and Accept the GCC.** The Mutual Recognition of Jurisdictions (E) Working Group will evaluate non-U.S. jurisdictions in accordance with this “Recognize and Accept” Process. A list of “Recognize and Accept” Jurisdictions is published through the NAIC committee process (“NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation”; ““Recognize and Accept’ List”; or “List”). The creation of the List does not constitute a delegation of regulatory authority to the NAIC. Although a state must consider this List under Section 21E(3) of Model #450 in its determination of whether a non-U.S. insurance group is exempt from filing an annual GCC, the List is not binding and the ultimate authority to designate a “Recognize and Accept” Jurisdiction resides solely in each state.
  - (a) The List will include all Reciprocal Jurisdictions that recognize the U.S. state regulatory approach to group supervision and group capital. [See discussion in paragraph 9].
  - (b) The evaluation of non-U.S. jurisdictions that are non-Reciprocal Jurisdictions as “Recognize and Accept” Jurisdictions will be conducted in accordance with the provisions of Section 4L(2) of Model #440 and Section 21 of Model #450, and any other relevant guidance developed by the NAIC. [see discussion in paragraphs 10 and 11].
  - (c) As specified in Section 21E(1) of Model #450, the List will also identify which “Recognize and Accept” Jurisdictions require a group capital filing for a U.S.-based insurance group’s operations in that jurisdiction. [See discussion of Subgroup Capital Calculation in paragraph 12].
  - (d) Upon final inclusion of a jurisdiction on the List, any confidential documents reviewed by the Mutual Recognition of Jurisdictions (E) Working Group in its evaluation of the jurisdiction will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential. The NAIC will maintain the List on its public website and in other appropriate NAIC publications.
  - (e) If a non-US group’s lead state exempts the group from the GCC, and the group-wide supervisor is based in a jurisdiction that is not on the “Recognize and Accept” List, the state must thoroughly document the justification for the exemption.

**8. Procedure for Evaluation of Non-U.S. Jurisdictions.** In undertaking the evaluation of a non-U.S. Jurisdiction for inclusion on the “Recognize and Accept” List, the Mutual Recognition of Jurisdictions (E) Working Group shall utilize similar processes and procedures to those outlined in the *Process for Evaluating Qualified and Reciprocal Jurisdictions*. Specifically, the Working Group will undertake the following procedure in making its evaluation:

(a) **Initiation of Evaluation.** Formal notification of the Mutual Recognition of Jurisdictions (E) Working Group’s intent to initiate the evaluation process will be sent by the NAIC to the supervisory authority in the jurisdiction selected. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction, unless otherwise provided in this document. Upon receipt of confirmation by a competent regulatory authority of the non-U.S. jurisdiction, the Mutual Recognition of Jurisdictions (E) Working Group:

- i. Will review the materials received from the jurisdiction.
- ii. Will issue public notice on the NAIC website inviting public comments with respect to consideration of the jurisdiction as a “Recognize and Accept” Jurisdiction.
- iii. Will consider public comments from state regulators, U.S. insurance groups, and any other interested parties.
- iv. May review other public materials deemed relevant to making a determination.
- v. Will invite each non-U.S. jurisdiction, or its designee, to provide any additional information it deems relevant to making a determination.
- vi. Relevant U.S. state and federal authorities will be notified of the Mutual Recognition of Jurisdictions (E) Working Group’s decision to evaluate a jurisdiction.

(b) **Preliminary Evaluation Report.** NAIC staff will prepare a Preliminary Evaluation Report for review by the Mutual Recognition of Jurisdictions (E) Working Group. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a “Recognize and Accept” Jurisdiction. Upon review by the Working Group, the results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review. At that time, a copy of the Preliminary Evaluation Report will also be shared with the Group Capital Calculation (E) Working Group in regulator-to-regulator session. The Group Capital Calculation (E) Working Group will also be kept advised of any new developments in the evaluation of this jurisdiction.

(c) **Final Evaluation Report.** Upon receipt of the Preliminary Evaluation Report, the

supervisory authority will have an opportunity to respond to the initial findings and determination. The Mutual Recognition of Jurisdictions (E) Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The Working Group will consider the Final Evaluation Report for approval in regulator-to-regulator session.

(d) **Summary of Findings and Determination.** Upon approval of the Final Evaluation Report, the Mutual Recognition of Jurisdictions (E) Working Group will issue a public statement and a summary of its findings with respect to its determination. At this time, the Working Group will release the Summary of Findings and Determination for public comment. Once the Working Group has finally adopted the Summary of Findings and Determination in open session after opportunity for public comment, it will submit the summary of its findings and its recommendation to the Financial Condition (E) Committee at an open meeting. Upon approval by the Committee, the summary and recommendation will be submitted to the Executive (EX) Committee and Plenary, as well as to the Federal Insurance Office (FIO), United States Trade Representative (USTR) and other relevant federal authorities for consultation purposes. Upon approval as a “Recognize and Accept” Jurisdiction by the Executive (EX) Committee and Plenary, the jurisdiction will be added to the NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation.

**9. Evaluation of Reciprocal Jurisdictions.** Under Section 4L(2)(c) of Model #440, Reciprocal Jurisdictions that recognize the U.S. state regulatory approach to group supervision and group capital are exempt from the GCC. Because a “recognize and accept” evaluation by the Mutual Recognition of Jurisdictions (E) Working Group is already part of the Reciprocal Jurisdiction review process, all Reciprocal Jurisdictions designated by the NAIC through that review process are also automatically designated as “Recognize and Accept” Jurisdictions. Likewise, in accordance with the terms of the EU and UK Covered Agreements, all EU States and the UK are automatically designated “Recognize and Accept” Jurisdictions. If there is a material change to the terms of either Covered Agreement, or the United States enters into a new covered agreement with one or more non-U.S. jurisdictions, the Mutual Recognition of Jurisdictions (E) Working Group will rely upon its review and evaluation of the applicable covered agreement, in consultation with FIO and USTR, to determine whether automatic “Recognize and Accept” status is appropriate, or whether it is necessary to conduct a case-by-case review of the jurisdiction or jurisdictions in accordance with Paragraph 10 below.

**10. Evaluation of Non-Reciprocal Jurisdictions with U.S. Insurance Group Operations.** Under Section 21D(1)(a) of Model #450, a non-Reciprocal Jurisdiction, in which a U.S. insurance group has operations, that recognizes the U.S. state regulatory approach to group supervision and group capital may be included on the NAIC “Recognize and Accept” List. The Mutual Recognition of Jurisdictions (E) Working Group may rely on written confirmation by a competent regulatory authority in that jurisdiction that insurers and insurance groups whose lead state is accredited by the NAIC under the

NAIC Accreditation Program shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction. The process outlined in this Paragraph will also apply to a jurisdiction that is a Reciprocal Jurisdiction by virtue of a covered agreement, if the Mutual Recognition of Jurisdictions (E) Working Group has determined that the

- (a) The Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm that to the best of its determination the representations in the written confirmation are true and accurate.
- (b) The jurisdiction must also have an acceptable Memorandum of Understanding to be included on the “Recognize and Accept” List, as described in paragraph 12 of this Process.
- (c) NAIC staff will work with the Mutual Recognition of Jurisdictions (E) Working Group and the applicant jurisdiction to prepare an acceptable confirmation letter for this purpose. The NAIC will publish a form letter that a competent regulatory authority of a non-U.S. jurisdiction may use to provide confirmation pursuant to Section 21(D)(1)(a), Section 21(D)(1)(b) and 21(D)(2) of Model #450 as well as a template letter that any “Recognize and Accept” Jurisdiction, including a Reciprocal Jurisdiction, may use to provide confirmation, pursuant to Section 21(E)(1) of Model #450, as to whether or not it requires a group capital filing for any U.S. based insurance group’s operations. NAIC Staff will work with the jurisdiction to modify these forms if necessary for a particular jurisdiction.

**11. Evaluation of Non-Reciprocal Jurisdictions with No U.S. Insurance Group Operations.** Because the GCC embraces and encourages the concepts of mutual recognition and one group/one group-wide supervisor, a non-U.S. jurisdiction may be included on the “Recognize and Accept” List, enabling its insurance groups to do business in the U.S. without being subject to U.S group-wide supervision, even if no U.S. groups operate in that jurisdiction. Under Section 21D(1)(b) of Model #450, such a jurisdiction must document its recognition and acceptance by indicating formally in writing to the lead state of each of its insurance groups doing business in the U.S., with a copy to the International Association of Insurance Supervisors (IAIS), that the GCC is an acceptable international capital standard. The Mutual Recognition of Jurisdictions (E) Working Group may rely on written confirmation by a competent regulatory authority in that jurisdiction.

- (a) The Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm that, to the best of its determination, the representations in the written confirmation are true and accurate.

- (b) The jurisdiction must also have an acceptable Memorandum of Understanding to be included on the “Recognize and Accept” List, as described in paragraph 12 of this Process.
- (c) NAIC staff will work with the Mutual Recognition of Jurisdictions (E) Working Group and the applicant jurisdiction to prepare an acceptable confirmation letter for this purpose.

**12. Memorandum of Understanding.** Section 21D(2) of Model #450 requires a non-Reciprocal Jurisdiction that “recognizes and accepts” the GCC to provide confirmation by a competent regulatory authority that information regarding insurers, and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and the jurisdiction. Acceptable MOUs include, but are not limited to, the International Association of Insurance Supervisors Multilateral Memorandum of Understanding (“IAIS MMoU”) or other multilateral memoranda of understanding coordinated by the NAIC. The Mutual Recognition of Jurisdictions (E) Working Group will review such memoranda of understanding and include an opinion in the Summary of Findings and Determination as to whether the jurisdiction has met this condition to be included on the “Recognize and Accept” List.

- (a) The lead state will act as a conduit for information between the “Recognize and Accept” Jurisdiction and other states that have an insurer from that jurisdiction, and will share information with these states consistent with the terms governing the further sharing of information included in the applicable MOU, and pursuant to the NAIC Master Information Sharing and Confidentiality Agreement. The jurisdiction must also confirm in writing that it is willing to permit this lead state to act as the contact for purposes of obtaining information concerning insurers.
- (b) If a jurisdiction has not been approved by the IAIS as a signatory to the MMoU, it must enter into an MOU with the lead state. The MOU will also provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions.
- (c) The same requirements and procedures will apply to a Reciprocal Jurisdiction that is subject to a case-by-case “recognize and accept” review, unless the necessary information-sharing procedures are already specified in the applicable covered agreement.

**13. Prudential Oversight and Solvency Monitoring.** Section 4L(2)(e) of Model #440 directs a lead state commissioner to require the group capital calculation for U.S. operations of any non-U.S. based insurance holding company system based in a “Recognize and Accept” Jurisdiction if, after any necessary consultation with other supervisors or officials, the commissioner deems such a “subgroup”

calculation to be appropriate for prudential oversight and solvency monitoring purposes or for ensuring the competitiveness of the insurance marketplace. Section 21E(1) of Model #450 provides that to assist with such a determination, the “Recognize and Accept” List will also identify whether a listed jurisdiction requires a group capital filing for any U.S. based insurance group’s operations in that jurisdiction. The Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm whether or not any “Recognize and Accept” Jurisdiction requires a subgroup group capital filing for a U.S.-based insurance group’s operations, and will attempt to obtain written confirmation from a competent regulatory authority in any such jurisdiction. The NAIC will identify such jurisdictions on the “Recognize and Accept” List. States may rely on this List when making determinations under Section 4L(2)(e) of Model #440.

**14. Process for Periodic Evaluation.** The process for determining whether a non-U.S. jurisdiction is a “Recognize and Accept” Jurisdiction is ongoing and subject to periodic review. The Mutual Recognition of Jurisdictions (E) Working Group will perform a yearly review of the NAIC List of Jurisdictions that Recognize and Accept the Group Capital Calculation to determine whether there have been any significant changes over the prior year that might affect inclusion on the List. This yearly review shall follow such abbreviated process as may be determined by the Working Group to be appropriate.

- (a) Upon determination by a lead state commissioner that a non-U.S. jurisdiction no longer meets one or more of the requirements to “recognize and accept” the GCC, the lead state commissioner may provide a recommendation to the Working Group that the jurisdiction be removed from the “Recognize and Accept” List. Upon review and after consultation with the “Recognize and Accept” Jurisdiction, the Working Group may remove the jurisdiction from the List, which must then be confirmed by the Financial Condition (E) Committee and the NAIC Executive (EX) Committee and Plenary.
- (b) Upon determination by a lead state commissioner that a non-U.S. jurisdiction requires a group capital filing for any U.S. based insurance group’s operations in that non-U.S. jurisdiction, the lead state commissioner may provide a recommendation to the Working Group that the non-U.S. jurisdiction be identified as such on the “Recognize and Accept” List. Upon receipt of any such notice, the Mutual Recognition of Jurisdictions (E) Working Group will also consider whether it is necessary to re-evaluate the jurisdiction’s “Recognize and Accept” status.
- (c) The Mutual Recognition of Jurisdictions (E) Working Group will also give due consideration to any notice from a U.S.-based insurance group that it has been required to perform a group capital calculation, at either the group-wide or subgroup level, in a jurisdiction on the “Recognize and Accept” List.

- (d) If a jurisdiction referred for re-evaluation under this Paragraph is a Reciprocal Jurisdiction, the Mutual Recognition of Jurisdictions (E) Working Group shall conduct a concurrent review of the jurisdiction's continuing status as a Reciprocal Jurisdiction, or, in the case of a jurisdiction entitled to that status by virtue of a covered agreement, shall refer the matter to the Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities, in accordance with the *Process for Evaluating Qualified and Reciprocal Jurisdictions*.

Draft: Mutual Recognition of Jurisdictions (E) Working Group 07/19/2021

## Appendix: Letter Templates

Paragraph 10(c) of the *Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation* provides that the NAIC will publish a form letter that a competent regulatory authority of a non-U.S. jurisdiction that is not a Reciprocal Jurisdiction may use to provide confirmation pursuant to Section 21(D)(1)(a), Section 21(D)(1)(b) and 21(D)(2) of the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450), as well as a template letter that any “Recognize and Accept” Jurisdiction, including a Reciprocal Jurisdiction, may use to provide confirmation, pursuant to Section 21(E)(1) of Model #450, as to whether or not it requires a group capital filing for any U.S. based insurance group’s operations. The following template letters are designed to satisfy these requirements:

**A. Jurisdictions with U.S. Insurance Group Operations.** In order to satisfy the requirements of Sections 21D(1)(a) and 21D(2) of Model #450, the competent regulatory authority of a non-U.S. Jurisdiction in which U.S. insurance groups operate shall provide the NAIC with a written letter, confirming, as follows:

As the competent regulatory authority for [non-U.S. Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories the following:

- [Non-U.S. Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction;
- Information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to a lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and [non-U.S. Jurisdiction], including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC.
- [Non-U.S. Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.

**B. Jurisdictions with No U.S. Insurance Group Operations.** In order to satisfy the requirements of Sections 21D(1)(b) and 21D(2) of Model #450, the competent regulatory authority of a non-U.S. Jurisdiction in which no U.S. insurance groups operate shall provide the NAIC with a written letter, confirming, as follows:

As the competent regulatory authority and lead insurance regulatory supervisor for [non-U.S. Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories the following:

- [Non-U.S. Jurisdiction] recognizes the Group Capital Calculation as defined under Section 4L(2) of the NAIC *Insurance Holding Company System Regulatory Act* (#440) as an acceptable international capital standard.
- Information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to a lead state commissioner in accordance with a memorandum of understanding or similar document between the commissioner and [non-U.S. Jurisdiction], including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC.
- [Non-U.S. Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.

**C. Jurisdictions with Subgroup Capital Requirements.** Paragraph 13 of the *Process for Evaluating Jurisdictions that Recognize and Accept the Group Capital Calculation* provides that the Mutual Recognition of Jurisdictions (E) Working Group will attempt to obtain written confirmation from a competent regulatory authority in any jurisdiction where the Working Group has evidence indicating that the jurisdiction requires a subgroup group capital filing for any U.S. based insurance group's operations in that jurisdiction. The NAIC will identify such jurisdictions on the "Recognize and Accept" List. States may rely on this List when making determinations under Section 4L(2)(e) of Model #440.

Draft: 5/20/21

NAIC/American Institute of Certified Public Accountants (AICPA) (E) Working Group  
E-Vote  
May 17, 2021

The NAIC/AICPA (E) Working Group of the Financial Condition (E) Committee conducted an e-vote that concluded May 17, 2021. The following Working Group members participated: Laura Clements (CA); Rylynn Brown (DE); Kevin Clark (IA); Judy Weaver (MI); Shannon Schmoeger (MO); Doug Bartlett (NH); Dale Bruggeman (OH); and Greg Lathrop (OR).

1. Adopted Revisions to the Implementation Guide

The Working Group recently developed and exposed proposed revisions to the NAIC's *Implementation Guide for the Annual Financial Reporting Model Regulation* (Implementation Guide) to facilitate the collection of information on the engagement partner leading the annual external audit of insurance entities. The revisions request that the lead engagement partner's name and start date be provided in the annual internal control letter filed with the domestic insurance department to facilitate a review of engagement partner rotation and qualification requirements.

The motion passed with a majority of the Working Group members voting in favor of adopting the revisions and referring the updated Implementation Guide to the Accounting Practices and Procedures (E) Task Force for inclusion in the 2022 publication of the NAIC's *Accounting Practices and Procedures Manual* (AP&P Manual) (*see NAIC Proceedings – Summer 2021, Accounting Practices and Procedures (E) Task Force, Attachment Four*).

Having no further business, the NAIC/AICPA (E) Working Group adjourned.

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Draft: 7/15/21

National Treatment and Coordination (E) Working Group  
Virtual Meeting  
July 14, 2021

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met July 14, 2021. The following Working Group members participated: Debbie Doggett, Co-Chair (MO); Linda Johnson, Co-Chair (WY); Cindy Hathaway (CO); Joan Nakano and William Mitchell (CT); Alisa Pritchard (DE); Jason Reynolds (FL); Stewart Guerin and Mike Boutwell (LA); Kari Leonard (MT); Ursula Almada (NM); Cameron Piatt (OH); Greg Lathrop (OR); Cressinda Bybee (PA); Amy Garcia (TX); Jay Sueoka (UT); Ron Pastuch (WA); and Amy Malm (WI).

1. Adopted its May 13 Minutes

Ms. Doggett noted a few items for correction on the minutes: 1) items 1 and 2 need to be changed from adopted to discussed; and 2) item 5 includes a typo for “stipulates” to be changed to “stipulate.”

Mr. Lathrop made a motion, seconded by Mr. Piatt, to adopt the Working Group’s May 13 minutes with edits (Attachment Eight-A). The motion passed unanimously.

2. Adopted Proposal 2021-01 (Primary Application and Instructions)

Ms. Doggett summarized the comments received on proposal 2021-01 to modify the primary application for start-up company applications. Pennsylvania submitted comments that were incorporated into the current proposal, which included: 1) changing the order on Form 2 for Company Type and Sub-Type to mirror the order on the NAIC company code application form; 2) using the most current Form 3 Lines of Business form; and 3) including the word “notification” on page 51 of the materials.

Ms. Doggett added that further modifications were made to the instructions included on the agenda to indicate that if an application is deemed incomplete, a status will be provided by the application state with an explanation and instructions that the Applicant Company will be allowed to withdraw its application. She added that as work continues on the development of the electronic application, the instructions may be modified to include those enhancements, and those changes will be brought before the Working Group for consideration.

Mr. Piatt made a motion, seconded by Mr. Guerin, to adopt the proposal 2021-01 (Attachment Eight-B) with suggested wording. The motion passed unanimously.

3. Adopted Proposal 2021-02 (Redomestication Application and Instructions)

Ms. Johnson summarized that proposal 2021-02 is in conjunction with the changes made to the primary application, to separate the redomestication application into its own application. She added that no comments were received on this proposal during the comment period.

Mr. Guerin made a motion, seconded by Mr. Lathrop, to adopt proposal 2021-02 (Attachment Eight-C). The motion passed unanimously.

4. Adopted Proposal 2021-05 (Form A Review Guidance)

Ms. Doggett summarized the purpose of proposal 2021-05 to add additional guidance when reviewing the articles of incorporation and limited partnership agreements for complex Form A transactions to determine the ultimate controlling party when not evident in the Form A filing regarding private equity type entities.

Mr. Guerin made a motion, seconded by Ms. Nakano, to adopt proposal 2021-05 (Attachment Eight-D). The motion passed unanimously.

5. Exposed Proposal 2021-06 (Disclaimer Form)

Ms. Johnson said the purpose of proposal 2021-06 is to provide a template for a disclaimer of affiliation or control of an individual, resulting from a survey conducted last fall regarding the primary application, where several states indicated that they allow a disclaimer in lieu of a biographical affidavit. This uniform template will be identified as Form 9, and it will be exposed for a 45-day public comment period ending Aug. 30. Ms. Johnson also noted that prior to exposure, clarifying language will be included in the heading of the proposal to identify that the use of this form is just for individuals.

6. Heard Updates on Ad Hoc Groups

Jane Barr (NAIC) said the NAIC is currently working on negotiations with third-party vendors to assist with the development of the electronic applications. She added that she will provide an update on the next scheduled meeting tentatively scheduled for mid-September.

Crystal Brown (NAIC) reported that the Surplus Lines Drafting Group met June 28 to review and discuss domestic surplus line statutes and regulations and comments submitted on a recent survey to develop a reference chart for industry and state use.

7. Discussed Other Matters

Ms. Barr said she received an email asking states to consider moving towards the elimination of hard copy requirements for their public records. With the development of the electronic application and tools available to the state insurance regulators, the need for hard copies could be greatly reduced. For those states whose statutes reference hard copy required, they may want to consider changing their wording to reference “original” since the term “original” could mean electronic filing.

Ms. Johnson said a Company Licensing Forum call will be scheduled for Aug. 25 to discuss these requirements. Ms. Barr added that she has been requested to add the new risk retention group (RRG) forms to the Forum agenda for those states that may be unaware of their existence.

The next Working Group meeting is tentatively set for September.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

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Draft: 5/20/21

National Treatment and Coordination (E) Working Group  
Virtual Meeting  
May 13, 2021

The National Treatment and Coordination (E) Working Group of the Financial Condition (E) Committee met May 13, 2021. The following Working Group members participated: Debbie Doggett, Co-Chair (MO); Linda Johnson, Co-Chair (WY); Cindy Hathaway (CO); Joan Nakano and William Mitchell (CT); Alisa Pritchard (DE); Jason Reynolds (FL); Stewart Guerin and Mike Boutwell (LA); Kari Leonard (MT); Cameron Piatt (OH); Greg Lathrop (OR); Cressinda Bybee (PA); Robert Rudnai (TX); Jay Sueoka (UT); Ron Pastuch (WA); and Amy Malm (WI).

**1. Discussed Proposal 2021-01 (Primary Application and Instructions)**

Ms. Doggett summarized the purpose of proposal 2021-01 is to modify the primary application for start-up company applications only. All references to a redomestication were removed, and new forms were created to capture management information (Form 4P) and holding company debt to equity information (Form 5P). Ms. Doggett added that the proposal was exposed for a 45-day public comment period ending April 19. One minor editorial comment was made and is reflected in the PDF posted to the Working Group's web page, which was to change the dollar sign to a percent sign on Question 6 of Form 8 (Questionnaire).

Janet Shemanske (Nautilus) asked whether traditional insurers should be listed in the section identified as "Applicant Company Formed As." Ms. Doggett said during the last call, it was noted that other states use the Uniform Certificate of Authority Application (UCAA) forms to license other risk-bearing entities. Jane Barr (NAIC) confirmed this information will eventually be carried over to the company code application form when a primary application is approved, and the company is eligible for an NAIC company code. Mr. Boutwell said more states are moving forward with domestic surplus lines, Louisiana being one of those states. Ms. Doggett said it would depend on state law and whether the company becomes licensed as a property/casualty (P/C) insurer and then eventually writes as a surplus lines carrier. Lisa Brown (American Property Casualty Insurance Association—APCIA) asked whether the Applicant Company Formed As section should be clarified for traditional insurers because the list seems to include other non-traditional company types. Ms. Barr explained when the states were surveyed, they indicated the type of entities that could submit UCAA forms based on the list provided on the company code application. She further explained, this information would eventually populate into the company code application form. Ms. Shemanske asked for confirmation that this section may not need to be completed if the applicant company is a traditional insurer. Ms. Barr concurred and reiterated that the proposal was exposed for a 45-day public comment period, and no comments were submitted. The Working Group may want to consider re-exposure if additional edits are suggested.

Ms. Doggett said clarification is needed for the Applicant Company Formed As section. Ms. Malm concurred that clarification is needed so the section is completed, if necessary. Mr. Boutwell suggested adding "if applicable" in parentheses if other than a traditional insurer. Ms. Doggett said it could go at the beginning or end of the section in parenthetical. Ms. Johnson asked whether all insurance types should be listed. Mr. Boutwell said the company code application is labeled "company subtype" and includes the option for none. Ms. Doggett suggested changing the heading to mirror the company code application and adding an option for none. Ms. Barr said she will make the appropriate edits and circulate them to the Working Group members before sending the notice for re-exposure. She suggested a 30-day public comment period to give interested parties ample time to review and submit their comments timely. Ms. Barr reminded the Working Group that proposal 2021-02, which is the next item to consider, should have the same effective date as proposal 2021-01.

**2. Discussed Proposal 2021-02 (Redomestication Application and Instructions)**

Ms. Johnson summarized that proposal 2021-02 is in conjunction to the changes made to the original primary application, which combined both redomestication and start-up applications on one form. The two applications have been separated, and the focus of the redomestication application is for the initial application between the old and new domiciliary states. Although the forms may look similar, the redomestication forms will be identified with an "R" on each form page (e.g., 1R, 2R, etc.). Ms. Johnson said the redomestication application and instructions were also exposed for a 45-day public comment period ending April 19, and no comments were received. Ms. Shemanske asked whether the instructions should state that a rigorous review is required if the company is already licensed in the state where it plans to redomesticate. Mr. Piatt said Ohio would do a rigorous review because there could be several years between the initial application and the redomestication. Ms. Malm concurred Wisconsin would do the same to ensure that there is no regulatory arbitrage taking place.

The Working Group agreed to table consideration until the primary application is ready to be considered.

**3. Adopted Proposal 2021-03 (Cybersecurity Contact)**

Mr. Boutwell summarized that the purpose of proposal 2021-03 is to include a cybersecurity contact due to the recent adoption of a cybersecurity model law, and this contact information may be useful to the state insurance regulators for speed in contacting the appropriate person. He noted this addition to the list of company contacts on Form 14 may not necessitate an exposure period before consideration by the Working Group.

Ms. Boutwell made a motion, seconded by Ms. Malm, to adopt proposal 2021-03 (Attachment Eight-A1). The motion passed unanimously.

Ms. Barr added once it is adopted by the Financial Condition (E) Committee, the developers will begin programming this update into the electronic application.

**4. Adopted Proposal 2021-04 (Biographical Affidavit Cover Letter)**

Ms. Johnson said the purpose of proposal 2021-04 is to ensure: 1) the biographical affidavit could be used for more than one application/purpose if the affiant's signature is not more than six months old; and 2) the biographical affidavit form is not modified in any way to suit the applicant company's purpose for submission.

Ms. Johnson further explained the cover letter allows information for holding company groups where an affiant may hold a position for multiple companies in a group. If the applicant company is using an affidavit, where the signature is less than six months old, for multiple company applications, the cover letter could be updated for a particular application if the affiant information on the biographical affidavit has not been updated/changed. The cover letter will need to be updated and signed by the applicant company contact for every application submission, and each biographical affidavit will need its own cover letter. Ms. Johnson added that proposal 2021-04 was exposed for a 45-day public comment period ending May 5, and no comments were received.

Ms. Brown asked how companies reuse a biographical affidavit when the applicant company information is changed without requiring a new signature and notarization. Ms. Barr explained the applicant company information on the cover letter should be updated to reflect which company within the group listed submitted the biographical affidavit. Ms. Brown asked whether one affiant can be submitted for multiple companies within the same group. Ms. Barr concurred. Mr. Boutwell said his state would expect to see "see attached" in reference to the applicant company name in the header of the biographical affidavit. Ms. Brown asked whether the UCAA chart reflects the only states that would allow this cover letter for multiple submissions within a group. Ms. Barr said once adopted, she will reach out to the states for confirmation and make the updates to the state charts accordingly.

Mr. Rudnai made a motion, seconded by Mr. Lathrop, to adopt proposal 2021-04 (Attachment Eight-A2). The motion passed unanimously.

**5. Discussed Form A – Private Equity Company**

Ms. Doggett said Missouri has received several Form A applications from private equity (PE) companies, and during the review of the operating agreements, partnership agreements, and articles of incorporation, it was determined the ultimate controlling party was different than the individual/party identified when the Form A was submitted. She suggested the *Company Licensing Best Practices Handbook* stipulate the importance of the review of operational agreements to identify the ultimate controlling party. She said she will work with NAIC staff to draft wording.

The next Working Group meeting is tentatively set for July.

Having no further business, the National Treatment and Coordination (E) Working Group adjourned.

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**National Treatment and Coordination (E) Working Group**  
Company Licensing Proposal Form

DATE: <u>4-5-2021</u>	
<b>CONTACT PERSON:</b>	<u>Mike Boutwell</u>
<b>TELEPHONE:</b>	<u>225-342-0800</u>
<b>EMAIL ADDRESS:</b>	<u>mike.boutwell@ldi.la.gov</u>
<b>ON BEHALF OF:</b>	<u>Louisiana Department of Insurance</u>
<b>NAME:</b>	<u>Mike Boutwell</u>
<b>TITLE:</b>	<u>Asst. Deputy Commissioner</u>
<b>AFFILIATION:</b>	<u>Louisiana Dept. of Insurance</u>
<b>ADDRESS:</b>	<u>1702 N. 3rd St. Baton Rouge, LA 70802</u>
<b>FOR NAIC USE ONLY</b>	
Agenda Item # _____	
Year _____	
<b>DISPOSITION</b>	
[ <input type="checkbox"/> ]	ADOPTED _____
[ <input type="checkbox"/> ]	REJECTED _____
[ <input type="checkbox"/> ]	DEFERRED TO _____
[ <input type="checkbox"/> ]	REFERRED TO OTHER NAIC GROUP
[ <input type="checkbox"/> ]	EXPOSED _____
[ <input type="checkbox"/> ]	OTHER (SPECIFY) _____

**IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED**

- UCAA Forms    UCAA Instructions    Enhancement to the Electronic Application Process  
 Company Licensing Best Practices HB

Forms:

- Form 1 – Checklist    Form 2 - Application    Form 3 – Lines of Business  
 Form 6- Certificate of Compliance    Form 7 – Certificate of Deposit    Form 8 - Questionnaire  
 Form 8C- Corporate Amendment Questionnaire    Form 11-Biographical Affidavit    Form 12-Uniform Consent to Service of Process    Form 13- ProForma    Form 14- Change of Address/Contact Notification  
 Form 15 – Affidavit of Lost C of A    Form 16 – Voluntary Dissolution    Form 17 – Statement of Withdrawal

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**DESCRIPTION OF CHANGE(S)**

Adding a contact type of "Cybersecurity Contact" with an explanation of "A person for the state departments to contact regarding data security and data breaches" to page 1 of Form 14

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**REASON OR JUSTIFICATION FOR CHANGE \*\***

With the adoption of a cybersecurity model law and the current posture of the industry in electronic records, the addition of this contact might be useful for state regulators and help to save time in contacting the appropriate person.

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Additional Staff Comments:

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\*\* This section must be completed on all forms.

Revised 01-2019

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
CHANGE OF MAILING ADDRESS/CONTACT NOTIFICATION FORM**

**NAME CHANGE**

If there has been a name change, please complete the following:

Previous Applicant Company Name: \_\_\_\_\_

Current Applicant Company Name: \_\_\_\_\_

**MAILING ADDRESS/CONTACT CHANGE**

**If there has been a mailing address or contact person change, please complete the following:**

This form will notify regulatory officials of mailing address changes or contact person changes applicable to the Applicant Company or it may be completed as a supplemental filing in conjunction with other corporate amendment filings. Additional corporate amendment filings are required for Statutory Home Office, changes to articles or by-laws or for changes in the addresses related to the person authorized to receive Service of Process. These changes require a Corporate Amendment Application or a Uniform Consent to Service of Process. Check state specific requirements. For each change, please indicate the one or more areas for which the change is applicable:

	Catastrophe/Disaster Coordination Contact	A contact person for state departments to contact for information if there is a catastrophe or disaster.
	Claim Information Contact	A contact person for the public to contact for claim information.
	Consumer Complaints Contact	A contact person for state consumer complaint staff to contact for resolution of complaints filed with the state department.
	<u>Cybersecurity Contact</u>	<u>A contact person for the state departments to contact regarding data security and data breaches</u>
	External Healthcare Review Contact	A contact person for state departments to initiate the external healthcare review process.
	Form and/or Rate Filings Contact	A person for state departments to contact regarding issues on policy forms filings or rate filings.
	Fraud Assessment Invoice Contact	A person for state departments to contact regarding issues of payment of fraud assessments.
	Local Office in Domestic/Foreign State Contact	A person for the public or state departments to contact.
	Managing General Agent	A person for the public or state departments to contact.
	Market Conduct Contact	A person for state departments to contact regarding market conduct issues.
	Policyholder Information Contact	A person for the public to contact.
	Producer Licensing Contact (Appointment)	A person for state departments to contact regarding issues of producer licensing or appointments of agents.
	Regulatory Compliance/Government Relations Contact	A person for state departments to contact on matters related to regulation but unrelated to public complaints filed with the state department.)
	Premium Tax Contact	A person for state departments to contact regarding issues of payment of premium tax.
	Company Licenses/Fees Contact	A person for state departments to contact regarding issues of payment of license fees.
	Deposits Contact	A person for state departments to contact regarding statutory deposits.
	U.S. Legal Counsel (for aliens)	A person for state departments to contact.
	Annual Statement Contact	A contact person responsible for answering questions in the completion of the annual statement.

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

Company Mailing Address	A change to the mailing address of the company.
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#### NEW CONTACT

Contact Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone #: \_\_\_\_\_ Fax #: \_\_\_\_\_ Toll Free/Instate Phone #: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Previous Contact Name (if changed): \_\_\_\_\_

Entity Name of MGA (if contact or address changed): \_\_\_\_\_

Note: If there are multiple contacts in different locations, please attach a separate sheet with all pertinent information for each.

#### NEW MAILING ADDRESS

Address: \_\_\_\_\_

Address 2: \_\_\_\_\_ Suite/Mail Stop: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Email: \_\_\_\_\_ Toll Free/Instate Phone #: \_\_\_\_\_

Main Administrative Office Phone Number: \_\_\_\_\_ Fax: \_\_\_\_\_

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Signature of Preparer

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Date of Preparation

---

Typed or Printed Name

---

Title of Preparer

---

Phone Number of Preparer

---

Email Address of Preparer

**National Treatment and Coordination (E) Working Group**  
Company Licensing Proposal Form

DATE: <u>April 19, 2021</u>		<b>FOR NAIC USE ONLY</b>	
CONTACT PERSON: <u>Jane Barr</u>		Agenda Item # <u>2021-04</u>	
TELEPHONE: _____		Year <u>2021</u>	
EMAIL ADDRESS: <u>jbarra@naic.org</u>		<b>DISPOSITION</b>	
ON BEHALF OF: <u>National Treatment &amp; Coordination (E)</u> <u>Working Group</u>		[ <input type="checkbox"/> ] ADOPTED _____	
NAME: <u>—</u>		[ <input type="checkbox"/> ] REJECTED _____	
TITLE: _____		[ <input type="checkbox"/> ] DEFERRED TO _____	
AFFILIATION: _____		[ <input type="checkbox"/> ] REFERRED TO OTHER NAIC GROUP	
ADDRESS: _____		[ <input checked="" type="checkbox"/> ] EXPOSED May 5, 2021 _____	
		[ <input type="checkbox"/> ] OTHER (SPECIFY) _____	

**IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED**

[  ] UCAA Forms [  ] UCAA Instructions [  ] Enhancement to the Electronic Application Process  
[  ] Company Licensing Best Practices HB

Forms:

[  ] Form 1 – Checklist [  ] Form 2 - Application [  ] Form 3 – Lines of Business  
[  ] Form 6- Certificate of Compliance [  ] Form 7 – Certificate of Deposit [  ] Form 8 - Questionnaire  
[  ] Form 8C- Corporate Amendment Questionnaire [  ] Form 11-Biographical Affidavit [  ] Form 12-Uniform  
Consent to Service of Process [  ] Form 13- ProForma [  ] Form 14- Change of Address/Contact Notification  
[  ] Form 15 – Affidavit of Lost C of A [  ] Form 16 – Voluntary Dissolution [  ] Form 17 – Statement of Withdrawal

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**DESCRIPTION OF CHANGE(S)**

Create a template for a cover letter to accompany the biographical affidavit when the Applicant Company is part of a Holding Company and the affidavit is used for more than one applicant company and the affiant's signature date is 6 months or less.

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**REASON OR JUSTIFICATION FOR CHANGE \*\***

The purpose is to clarify that the Applicant Company cannot make any changes to the biographical affidavit once it is signed by the affiant, if the Applicant Company intends to use it for more than one insurer's (within the same group) application.

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**Additional Staff Comments:**

**\*\* This section must be completed on all forms.**

**Revised 01-2019**

**Uniform Certificate of Authority Application (UCAA)  
BIOGRAPHICAL AFFIDAVIT COVER LETTER  
HOLDING COMPANY STRUCTURE**

Affiant Name: \_\_\_\_\_

Group Name: \_\_\_\_\_

Group Code: \_\_\_\_\_

Purpose of Affidavit: \_\_\_\_\_

**Applicant Company:** \_\_\_\_\_

Insurers listed under group code:

**Applicant Company Representative Contact Information:**

Name: \_\_\_\_\_

Title:

Phone:

Email: [info@louisvillesmashups.com](mailto:info@louisvillesmashups.com)

**Signature:**

Signature Date:

Addendum Page for additional insurers listed under group code:

Addendum Page for additional insurers listed under group code:

**National Treatment and Coordination (E) Working Group**  
Company Licensing Proposal Form

<b>CONTACT PERSON:</b> <u>Jane Barr</u>	<b>DATE:</b> <u>1/12/2021</u>	<b>FOR NAIC USE ONLY</b>
<b>TELEPHONE:</b> <u>816-783-8413</u>	<b>Agenda Item #</b> <u>2021-01</u>	
<b>EMAIL ADDRESS:</b> <u>jbarr@naic.org</u>	<b>Year</b>	<u>2021</u>
<b>ON BEHALF OF:</b> <u>Primary Application Ad Hoc Group</u>	<b>DISPOSITION</b>	
<b>NAME:</b> <u>NTC(E)WG</u>	<input type="checkbox"/> ADOPTED	_____
<b>TITLE:</b> <u>Linda Johnson (WY) co-chair</u> <u>Debbie Doggett (MO) co-chair</u>	<input type="checkbox"/> REJECTED	_____
<b>AFFILIATION:</b> _____	<input type="checkbox"/> DEFERRED TO	_____
<b>ADDRESS:</b> _____	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP	_____
	<input checked="" type="checkbox"/> Re-EXPOSED	June 16, 2021
	<input type="checkbox"/> OTHER (SPECIFY)	_____

**IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED**

[X ]UCAA Forms [ X ]UCAA Instructions [ X ] Enhancement to the Electronic Application Process  
[ ] Company Licensing Best Practices HB

Forms:

[ X ] Form 1 – Checklist [ X ] Form 2 - Application [ X ] Form 3 – Lines of Business  
[ ] Form 6- Certificate of Compliance [ ] Form 7 – Certificate of Deposit [ X ] Form 8 - Questionnaire  
[ ] Form 8C- Corporate Amendment Questionnaire [ ] Form 11-Biographical Affidavit [ ] Form 12-Uniform Consent to Service of Process [ ] Form 13- ProForma [ ] Form 14- Change of Address/Contact Notification  
[ ] Form 15 – Affidavit of Lost C of A [ ] Form 16 – Voluntary Dissolution [ ] Form 17 – Statement of Withdrawal

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**DESCRIPTION OF CHANGE(S)**

The primary application was updated to distinguish the difference between a “new” company (start-up) and a redomestication application in the development of the business rules used to create separate electronic applications. Two separate Forms have been added to include: Management Information (Form 4P) and Holding Company Debt to Equity Information (Form 5P)

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**REASON OR JUSTIFICATION FOR CHANGE \*\***

Eventually, all hard copy applications will move to an electronic format, during this process forms will be modified for specific licensing transaction in an effort to incorporate state specific requirements where necessary. The application is specifically for start-up only licensing applications which includes two new forms to separately capture management information and holding company debt to equity information if the Applicant Company is part of a holding company structure.

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**Additional Staff Comments:**

3/4/21- Proposal was exposed for a 45-day comment period, ending 5/5/21  
5/5/21- One editorial comment regarding a typo on Q6 of Form 8 was noted and corrected to change “\$” to a “%”.  
5/13/21- Comments during the NTCWG conference call suggesting clarifying language for the company sub-type section to include (if applicable).  
5/17/21- Proposal re-exposed for a 30-day comment period, ending June 16<sup>th</sup>.  
6/16/21 – Comments received and included for the Instructions.

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\*\* This section must be completed on all forms.

Revised 01-2019

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)**  
**Primary Application Checklist**  
**For Primary Application Only**

The application checklist is intended to help guide the insurer (herein after referred to as "Applicant Company") with the assembly of a complete Primary Uniform Certificate of Authority Application (UCAA).

**Regulator Use Only**

1. **Application Form, includes:**  UCAA Primary Application Checklist (Form 1P)  UCAA Primary Application executed and electronically signed (Form 2P)  Lines of insurance the Applicant Company is requesting authority to transact (Form 3).
2. **Filing Fee (pursuant to Section II Filing Requirements Item 2), includes:**  Electronic Payment of required filing fee or  Copy of check
3. **Minimum Capital and Surplus Requirements (pursuant to Section II Filing Requirements Item 3)**  Explanation of compliance with minimum capital & surplus requirements for state for which application is prepared
4. **Statutory Deposit Requirements (pursuant to Section II Filing Requirements Item 4)**  Provide financial source of deposit
5. **Name Approval (pursuant to Section II Filing Requirements Item 5)**  Evidence of name approval request  Copy of Secretary of State approval
6. **Plan of Operation (pursuant to Section II Filing Requirements Item 6)**  Completed questionnaire (Form 8)  Pro Forma  Narrative
7. **Holding Company Act Filings (pursuant to Section II Filing Requirements Item 7)**  Ultimate Controlling Party information
8. **Statutory Membership(s)**  Attach documentation as listed in Section II Filing Requirements Item 8
9. **SEC Filings or Consolidated GAAP Financial Statement**  Attach documentation as listed in Section II Filing Requirements Item 9
10. **Debt-to-Equity Ratio Statement**  Attach documentation as listed in Section II Filing Requirements Item 10
11. **Custody Agreements**  Attach documentation as listed in Section II Filing Requirements Item 11

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Regulator Use Only**

12. **Public Records Package – Submit ALL items in chart in Section II Item 12, including:** \_\_\_\_\_
- a. **Articles of Incorporation, including:** \_\_\_\_\_
- Original Articles \_\_\_\_\_  
 Copy of Secretary of State approval \_\_\_\_\_
- b. **Bylaws, including:** \_\_\_\_\_
- Original certification by the Applicant Company's corporate assistant \_\_\_\_\_
- c. **Statement with attachments, including:** \_\_\_\_\_
- Financial statement of Ultimate Controlling Party, 10K or 10Q \_\_\_\_\_
- d. **Independent CPA Audit Report** \_\_\_\_\_
13. **NAIC Biographical Affidavit (Form 11) for the following individuals listed on the Management Information Form:** \_\_\_\_\_
- Officers \_\_\_\_\_  
 Directors \_\_\_\_\_  
 Key managerial personnel (including heads of risk management, compliance, internal audit or other individuals who will control the operations of the Applicant Company or have binding authority over the Applicant Company) \_\_\_\_\_  
 Any individual with 10% or greater ownership of the Applicant Company and/or the Applicant Company's ultimate controlling entity. A disclaimer must be filed for any individual stating no control. (verify with NAIC legal on language) \_\_\_\_\_  
 Affidavit originally signed and notarized within six months of application date \_\_\_\_\_  
 Affidavit certified by independent third party \_\_\_\_\_
14. **State-Specific Information** \_\_\_\_\_
- Some jurisdictions may have additional requirements that must be met before a Certificate of Authority can be issued. Before completing a UCAA Primary Application, the Applicant Company should review a listing of requirements for the state to which it is applying.

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
Primary Application**

To the Insurance Commissioner/Director/Superintendent of the State of:  
(Select the appropriate state in which the Applicant Company is applying.)

Drop-down menu with the state list.

The undersigned Applicant Company hereby certifies that the classes of insurance as indicated on the Lines of Insurance, Form 3, are the lines of business which the Applicant Company is applying to transact.

Proposed Name of Applicant Company:	
Group Code (If Applicable)	

Registered Office Address:	
----------------------------	--

Administrative Office Address:	
--------------------------------	--

Mailing Address:	
------------------	--

Company Web address: (if available)	
--	--

Phone:	
Fax:	
Date Incorporated:	
Form of Organization:	
Date Organized:	

Country of Domicile: (If Applicable)	
---	--

Date of Charter, Bylaws or Subscriber's Agreement:	
--	--

Par Value of Issued Stock:	\$
Surplus as regards policyholders:	\$

Ultimate Owner/Holding Company:	
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**Company Type:**

Stock	Limited Liability Corporation	Partnership (all types)
Reciprocal	U.S. Branch of Alien Insurer	Proprietorship
Fraternal	Cooperative	Syndicate
Mutual	Charitable Gift Annuity	Other

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Applicant Company Formed as Sub-Type (If Applicable):**

Residual Market Mechanisms	Captive – Pure	City, Town, County, State, Parish, Township
Risk Retention Group – Captive	Captive- Other	State Insurance Fund/Program
Risk Retention Group - Traditional	Captive – Special Purpose Financial Insurer	
Special Purpose Vehicle	Manager Managed Limited Liability Co	Surplus Lines Insurer

**If Available:**

Billing Address:		
E-Mail Address:	Phone:	Fax:
Premium Tax Statement Address:		
E-Mail Address:	Phone:	Fax:
Producer Licensing Address:		
E-Mail Address:	Phone:	Fax:
Rate/Form Filing Address:		
E-Mail Address:	Phone:	Fax:
Consumer Affairs Address:		
E-Mail Address:	Phone:	Fax:

Has the Applicant Company ever been refused admission to this or any other state prior to the date of this application?

Yes  No

If yes, give full explanation in an attached letter.

Attachment Button

The Applicant Company hereby designates (name natural persons only) \_\_\_\_\_, to appoint persons and entities to act as and to be licensed as agents in the State of \_\_\_\_\_, and to terminate the said appointments.

NOTE: This does not apply to those states that do not require appointments

The following information is required of the individual who is authorized to represent the Applicant Company before the department.

Name:		
Title:		
Mailing Address:		
E-Mail Address:	Phone: /Fax:	

If the representative is not employed by the Applicant Company, please provide a company contact person in order to facilitate requests for detailed financial information.

Name:		
Title:		
Mailing Address:		
E-Mail Address:	Phone: /Fax:	

Revised 2020  
FORM 2P

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Applicant Company Incorporators' Certification and Attestation**

One of the officers (listed below) of the Applicant Company must read the following very carefully:

1. I hereby certify, under penalty of perjury, that I have read the application, that I am familiar with its contents, and that all of the information, including the attachments, submitted in this application is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license discipline or other administrative action and may subject me or the Applicant Company, or both, to civil or criminal penalties.
2. I acknowledge that I am familiar with the insurance laws and regulations of said state, accept the Constitution of such state, in which the Applicant Company is licensed or to which the Applicant Company is applying for licensure.
3. I acknowledge that I am the \_\_\_\_\_ of the Applicant Company, am authorized to execute and am executing this document on behalf of the Applicant Company.
4. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed this \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of President

\_\_\_\_\_ Full Legal Name of President

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Secretary

\_\_\_\_\_ Full Legal Name of Secretary

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Treasurer

\_\_\_\_\_ Full Legal Name of Treasurer

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Director

\_\_\_\_\_ Full Legal Name of Director

\_\_\_\_\_ Electronic Name of Applicant Company

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Witness

\_\_\_\_\_ Full Legal Name of Witness

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
Lines of Insurance**

Please complete the state information below which the Applicant Company is currently applying for authority to do business. As a result of statutory and regulatory requirements, each state has its own terminology for the lines of insurance. The Lines of Business Matrix was developed to assist the Applicant Company in completing this form. The matrix includes each line of business as it is reported on the NAIC's annual statement blanks and corresponding state statute or regulation. [The matrix is located on the UCAA website under State Charts.]<sup>[BJ1]</sup>

**This form will only show the lines of business for the state selected as the proposed domiciliary state.**

ALABAMA	Applying for
Life (Sec. 27-5-2), Annuities (Sec. 27-5-3)	
Disability (Sec. 27-5-4)	
HMO (Sec. 27-21A-1, 27-21A-2 and 27-21A-3)	
Property (Sec. 27-5-5)	
Miscellaneous Casualty (Sec. 27-5-6, 27-5-7, 27-5-8, 27-5-9)	
Title (Sec. 27-5-10)	

ALASKA	Applying for
Life (AS 21.12.040)	
Health (AS 21.12.050)	
Disability (21.12.052)	
Annuities (AS 21.12.055)	
Variable Life (AS 21.42.370)	
Variable Annuities (AS 21.42.370)	
Property (AS 21.12.060)	
<b>Casualty (AS 21.12.070) including clauses:</b>	
(1) Vehicle	
(2) Liability	
(3) Workers' Compensation and Employers Liability	
(4) Burglary and Theft	
(5) Personal Property Floater	
(6) Glass	
(7) Boiler and Machinery	
(8) Leakage and Fire Extinguishing Equipment	
(9) Credit (failure of debtors to pay obligations to insured)	
(10) Malpractice	
(11) Elevator	
(12) Livestock	
(13) Entertainments	
(14) Miscellaneous	
Surety (AS 21.12.080)	
Marine (AS 21.12.090(a))	
Wet Marine and Transportation (AS 21.12.090(b))	
Mortgage Guaranty (AS 21.12.110)	
Title (AS 21.66)	
Fraternal Benefit Society (AS 21.84)	

ARIZONA	Applying for
Casualty with Workers' Compensation A.R.S. § 20-252	
Casualty without Workers' Compensation A.R.S. § 20-252	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>ARIZONA (continued)</b>	<b>Applying for</b>
Disability A.R.S. § 20-253	
Life (Includes Annuities) A.R.S. § 20-254	
Variable Annuity A.R.S. § 20-2631(2)	
Variable Life A.R.S. § 20-2601(15)	
Marine and Transportation A.R.S. § 20-255	
Mortgage Guaranty A.R.S. § 20-1541	
Prepaid Legal A.R.S. 20-1097	
Property A.R.S. § 20-256	
Surety A.R.S. § 20-257	
Title A.R.S. § 20-1562	
Vehicle A.R.S. § 20-259	
Life & Disability Reinsurer A.R.S. § 20-1082	
Health Care Services Organization A.R.S. § 20-1051	
Health, Medical, Dental, Optometric Service Corporations A.R.S. § 20-824	
Prepaid Dental Plan Organization A.R.S. § 20-1001	
Recognized Surplus Lines A.R.S. §§ 20-407.01 & 20-409	

<b>ARKANSAS</b>	<b>Applying for</b>
Life (ACA 23-62-102)	
Accident & Health (ACA 23-62-103)	
Property (ACA 23-62-104)	
Casualty (ACA 23-62-105)	
Surety (ACA 23-62-106)	
Workers' Compensation (ACA 23-62-105)	
Marine (ACA 23-62-107)	
Title (ACA 23-62-108)	
Mortgage Guaranty (ACA 23-62-110)	

<b>CALIFORNIA</b>	<b>Applying for</b>
Life (CIC 101)	
Fire (CIC 102)	
Marine (CIC 103)	
Title (CIC 104)	
Surety (CIC 105)	
Disability (CIC 106)	
Plate Glass (CIC 107)	
Liability (CIC 108)	
Workers' Compensation (CIC 109)	
Common Carrier Liability (CIC 110)	
Boiler and Machinery (CIC 111)	
Burglary (CIC 112)	
Credit (CIC 113)	
Sprinkler (CIC 114)	
Team and Vehicle (CIC 115)	
Automobile (CIC 116)	
Aircraft (CIC 118)	
Mortgage Guaranty (CIC 119)	
Insolvency (119.5)	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>CALIFORNIA (continued)</b>		<b>Applying for</b>
Legal (CIC 119.6)		
Miscellaneous (CIC 120)		
Financial Guaranty (CIC 124)		

<b>COLORADO</b>		<b>Applying for</b>
Life (10-3-102(1)(b))		
General Life		
Accident and Health		
Annuities		
Credit		
Variable Contracts		
<b>Fraternal Benefit Society (10-14-603)</b>		
General Life		
Accident and Health		
Annuities		
Variable Contracts		
<b>Title (Title 10, Article 11)</b>		
Title		
<b>Property and Casualty (Title 10, Article 3, Sections 102(1)(a), (c) and (d) or (Title 10, Articles 12 or 13)</b>		
General Property		
Crop		
Motor Vehicle		
General Casualty		
Accident and Health		
Fidelity and Surety (excluding bail bond)		
Bail Bond		
Workers' Compensation		
Mortgage Guaranty		
Credit		
Professional Malpractice		

<b>CONNECTICUT</b>		<b>Applying for</b>
(C.G.S. Title 38a)		
Fire, Extended Coverage and Other Allied Lines		
Homeowners Multiple Peril		
Commercial Multiple Peril		
Earthquake		
Growing Crops		
Ocean Marine		
Inland Marine		
Accident and Health		
Workers' Compensation		
Liability other than Auto (B.I. and P.D.)		
Auto Liability (B.I. and P.D.)		
Auto Physical Damage		
Aircraft (all perils)		
Fidelity and Surety		
Financial Guaranty (mono-line)		
Glass		

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>CONNECTICUT (continued)</b>	<b>Applying for</b>
Burglary and Theft	
Boiler and Machinery	
Credit	
Reinsurance	
Life Non-Participating	
Life Participating	
Variable Life Non-Participating	
Variable Life Participating	
Variable Annuities	
Title	
Fraternal Benefit Societies	
Health Care Center	
Credit Life	
Credit Accident and Health	
Mortgage Guaranty (monoline)	
Residual Value	

<b>DELAWARE</b>	<b>Applying for</b>
Life [18 Del. C. Section 902]	
Variable Annuities [Del. Reg 1]	
Variable Life [Del. Reg 44]	
Credit Life [18 Del. C. Section 902]	
Credit Health [18 Del. C. Section 903]	
Health [18 Del. C. Section 903]	
Property [18 Del. C. Section 904]	
Surety [18 Del. C. Section 905]	
<b>Casualty [18 Del. C. Section 906(a)], including subdivisions:</b>	
(1) Vehicle	
(2) Liability	
(3) Workers' Compensation & Employer's Liability	
(4) Burglary & Theft	
(5) Personal Property Floater	
(6) Glass	
(7) Boiler & Machinery	
(8) Leakage & Fire Extinguisher Equipment	
(9) Credit	
(10) Malpractice	
(11) Elevator	
(12) Congenital Defects	
(13) Livestock	
(14) Entertainments	
(15) Miscellaneous	
Marine & Transportation [18 Del. C. Section 907]	
Title [18 Del. C. Section 908]	

<b>DISTRICT OF COLUMBIA</b>	<b>Applying for</b>
Health Maintenance Organizations (Sec. 31 – Chapter 34)	
Life and Health	
Individual Life	
Group Life	
Variable Life (26 DCMR Chapter 27)	

Revised 10/24/19

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Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>DISTRICT OF COLUMBIA (continued)</b>	<b>Applying for</b>
Individual Accident and Health	
Group Accident and Health	
Individual Annuities (Fixed and Variable) (Sec. 31-4442)	
Group Annuities (Fixed and Variable) (Sec. 31-4442)	
Fire and Casualty	
(1) Fire (Sec. 31-2502.11)	
(2.1) Allied Lines (Sec. 31-2502.11)	
(2.2) Multiple Peril Crop	
(2.3) Federal Flood	
(2.4) Private Crop (Sec. 31-2502.11)	
(2.5) Private Flood (Sec. 31-2502.11)	
(3) Farmowners Multiple Peril (Sec. 31-2502.11)	
(4) Homeowners Multiple Peril (Sec. 31-2502.11)	
(5.1) Commercial Multiple Peril (non-liability) (Sec. 31-2502.11)	
(5.2) Commercial Multiple Peril (liability) (Sec. 31-2502.11)	
(6) Mortgage Guaranty	
(8) Ocean Marine (Sec. 31-2502.11)	
(9) Inland Marine (Sec. 31-2502.11)	
(10) Financial Guaranty	
(11) Medical Malpractice (Sec. 31-2502.11)	
(12) Earthquake (Sec. 31-2502.11)	
(13) Group Accident & Health (Sec. 31-2502.11)	
(14) Credit A&H (Group & Individual) (Sec. 31-2502.11)	
(15.1) Collectively Renewable A&H (Sec. 31-2502.11)	
(15.2) Non-cancelable A&H (Sec. 31-2502.11)	
(15.3) Guaranteed Renewable A&H (Sec. 31-2502.11)	
(15.4) Non-Renewable for Stated Reasons Only (Sec. 31-2502.11)	
(15.5) Other Accident Only (Sec. 31-2502.11)	
(15.7) All Other A&H (Sec. 31-2502.11)	
(15.8) Federal Employees Health Benefits Program	
(16) Workers' Compensation (Sec. 31-2502.11)	
(17.1) Other Liability – occurrence (Sec. 31-2502.11)	
(17.2) Other Liability – claims made (Sec. 31-2502.11)	
(18) Products Liability (Sec. 31-2502.11)	
(19.1) Private Passenger Auto No-Fault (personal injury protection) (Sec. 31-2502.11)	
(19.2) Other Private Passenger Auto Liability (Sec. 31-2502.11)	
(19.3) Commercial Auto No-Fault (personal injury protection) (Sec. 31-2502.11)	
(19.4) Other Commercial Auto Liability (Sec. 31-2502.11)	
(20) Glass (Sec. 31-2502.11)	
(21.1) Private Passenger Auto Physical Damage (Sec. 31-2502.11)	
(21.2) Commercial Auto Physical Damage (Sec. 31-2502.11)	
(22) Aircraft (all perils) (Sec. 31-2502.11)	
(23) Fidelity (Sec. 31-2502.11)	
(24) Surety (Sec. 31-2502.11)	
(26) Burglary and Theft (Sec. 31-2502.11)	
(27) Boiler and Machinery (Sec. 31-2502.11)	
(28) Credit (Sec. 31-2602.03, 31-2502.11)	
Title [Sec. 31-2602.03 (a)(7)]	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>FLORIDA</b>	<b>Applying for</b>
<b>Property &amp; Casualty Insurers</b>	
0010 Fire	
0020 Allied Lines	
0030 Farmowners Multi Peril	
0040 Homeowners Multi Peril	
0050 Commercial Multi Peril	
0080 Ocean Marine	
0090 Inland Marine	
0100 Financial Guaranty	
* 0106 Auto Warranties	
0110 Medical Malpractice	
0120 Earthquake	
0160 Workers' Compensation	
0170 Other Liability	
* 0173 Prepaid Legal	
0192 Private Passenger Auto Liability	
0194 Commercial Auto Liability	
0211 Private Passenger Auto Physical Damage	
0212 Commercial Auto Physical Damage	
0220 Aircraft	
0230 Fidelity	
0240 Surety	
* 0245 Bail Bonds	
0250 Glass	
0260 Burglary and Theft	
0270 Boiler and Machinery	
0280 Credit	
* 0285 Title (Title Companies Only)	
* 0290 Livestock	
0300 Industrial Fire	
* 0310 Mortgage Guaranty	
0441 Credit Disability	
* 0450 Accident and Health	
* 0520 Industrial Extended Coverage	
* 0540 Mobile Home Multi Peril	
* 0550 Mobile Home Physical Damage	
* 0570 Crop Hail	
* 0607 Home Warranties	
* 0608 Service Warranties	
* 0610 Other Warranty	
* 0620 Miscellaneous Casualty	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>FLORIDA (continued)</b>	<b>Applying for</b>
<b>Property &amp; Casualty Insurers (Reinsurance Only)</b>	
R010 Fire	
R020 Allied Lines	
R030 Farmowners Multi Peril	
R040 Homeowners Multi Peril	
R050 Commercial Multi Peril	
R080 Ocean Marine	
R090 Inland Marine	
R100 Financial Guaranty	
* R106 Auto Warranties	
R110 Medical Malpractice	
R120 Earthquake	
R160 Workers' Compensation	
R170 Other Liability	
* R173 Prepaid Legal	
R192 Private Passenger Auto Liability	
R194 Commercial Auto Liability	
R211 Private Passenger Auto Physical Damage	
R212 Commercial Auto Physical Damage	
R220 Aircraft	
R230 Fidelity	
R240 Surety	
* R245 Bail Bonds	
R250 Glass	
R260 Burglary and Theft	
R270 Boiler and Machinery	
R280 Credit	
* R285 Title (Title Companies Only)	
* R290 Livestock	
R300 Industrial Fire	
* R310 Mortgage Guaranty	
R441 Credit Disability	
* R450 Accident and Health	
* R520 Industrial Extended Coverage	
* R540 Mobile Home Multi Peril	
* R550 Mobile Home Physical Damage	
* R570 Crop Hail	
* R607 Home Warranties	
* R608 Service Warranties	
* R610 Other Warranty	
* R620 Miscellaneous Casualty	
<b>Life, Accident and Health Insurers</b>	
0400 Ordinary Life	
Endowment	
Term Life	
Industrial Life	
Individual Annuities	
Universal Life	
0405 Individual Variable Annuities	
Group Variable Annuities	
0410 Group Life and Annuities	
0420 Variable Life	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>FLORIDA (continued)</b>		<b>Applying for</b>
0425	Fraternal Life	
0430	Fraternal Health	
0440	Credit Life	
0441	Credit Disability	
0450	Accident and Health	
R400	Reinsurance - Ordinary Life and Annuity	
R405	Reinsurance - Individual/Group Variable Annuities	
R410	Reinsurance - Group Life and Annuity	
R420	Reinsurance - Variable Life	
R440	Reinsurance - Credit Life	
R441	Reinsurance - Credit Disability	
R450	Reinsurance - Accident and Health	

<b>GEORGIA</b>		<b>Applying for</b>
Life, accident, and sickness [O.C.G.A. § 33-3-5(1)]		
Including Variable Annuities [O.C.G.A. § 33-11-66]		
Including Variable Life [O.C.G.A. § 33-11-65]		
Property, marine, and transportation [O.C.G.A. § 33-3-5(2)]		
Casualty [O.C.G.A. § 33-3-5(3)]		
Including Workers' Compensation [O.C.G.A. § 33-7-3]		
Excluding Workers' Compensation [O.C.G.A. § 33-7-3]		
Surety [O.C.G.A. § 33-3-5(4)]		
Title [O.C.G.A. § 33-3-5(5)]		
Health Maintenance Organization [O.C.G.A. § 33-3-5(6) and § 33-21-1 <i>et seq.</i> ]		

<b>HAWAII</b>		<b>Applying for</b>
Life Insurance (HRS 431:1-204)		
Including Variable Life and Variable Annuity		
Excluding Variable Life and Variable Annuity		
Accident and Health Insurance (HRS 431:1-205)		
Property Insurance (HRS 431:1-206)*		
Including Residential Hurricane (HRS 431:3-306.5)		
Excluding Residential Hurricane		
Marine and Transportation Insurance (HRS 431:1-207)		
Including Ocean Marine (HRS 431:1-211)		
Excluding Ocean Marine		
Vehicle Insurance (HRS 431:1-208)**		
General Casualty Insurance (HRS 431:1-209)* *		
Surety Insurance (HRS 431:1-210)		
Title Insurance (HRS 431:20-102)		

\* (1) Concurrently licensed in General Casualty is required; (2) Residential hurricane carrier must also meet the requirements specified in Section 431:3-306.5; information required by this Section needs to be included in the application package. Failure to comply with the Section shall cause exclusion of the residential hurricane coverage.

\*\* Local Claims and Sales Office(s) and membership of Hawaii Joint Underwriting Plan are required for all insurers authorized to write and engage in writing vehicle insurance.

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>IDAHO</b>	<b>Applying for</b>
Life - 41-502	
Disability (Including/Excluding Managed Care) - 41-503	
Variable Annuities/Contracts – 41-502, 41-1938	
Property - 41-504	
Marine and Transportation - 41-505	
Casualty - Including Workers' Compensation - 41-506	
Casualty - Excluding Workers' Compensation - 41-507	
Surety (Including Fidelity) - 41-507	
<b>Monoline only:</b>	
Title - 41-508	
Mortgage Guaranty - 41-2652	

<b>ILLINOIS</b>	<b>Applying for</b>
<b>Class 1 Life, Accident and Health*</b>	
(a) Life	
(b) Accident and Health	
(c) Legal Expense Insurance	
<b>Class 2 Casualty, Fidelity and Surety*</b>	
(a) Accident and Health	
(b) Vehicle	
(c) Liability	
(d) Workers' Compensation	
(e) Burglary and Forgery	
(f) Glass	
(g) Fidelity and Surety	
(h) Miscellaneous	
(i) Other Casualty Risks	
(j) Contingent Losses	
(k) Livestock and Domestic Animals	
(l) Legal Expense Insurance	
<b>Class 3 Fire and Marine, etc.*</b>	
(a) Fire	
(b) Elements	
(c) War, Riot and Explosion	
(d) Marine and Transportation	
(e) Vehicle	
(f) Property Damage, Sprinkler Leakage and Crop	
(g) Other Fire and Marine Risks	
(h) Contingent Losses	
(i) Legal Expense Insurance	
<b>Fraternal Benefit Society</b>	
Fraternal Benefit Society [215 ILCS 5/282.1 et seq.]	
<b>Health Maintenance Organization</b>	
Health Maintenance Organization (HMO) [215 ILCS 125/1-1 et seq.]	
<b>Limited Health Service Organization</b>	
Limited Health Service Organization (LHSO) [215 ILCS 130/1001 et seq.]	

\* See 215/IL5/4 for additional description

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>INDIANA</b>	<b>Applying for</b>
<b>Class I (Life)</b>	
(a) Life and Annuities	
(b) Accident & Health	
(c) Variable Life and Annuities (Segregated Amounts)	
<b>Class II (Casualty)</b>	
(a) Accident and Health - Disability	
(b) Workers' Compensation	
(c) Burglary, Theft	
(d) Glass	
(e) Boiler and Machinery	
(f) Automobile	
(g) Sprinkler	
(h) Liability	
(i) Credit	
(j) Title	
(k) Fidelity & Surety w/Bailbonds	
(kt) Fidelity & Surety w/o Bailbonds	
(l) Miscellaneous	
(m) Legal Expenses	
<b>Class III (Property)</b>	
(a) Fire, Windstorm, Hail, Loot, Riot	
(b) Crops	
(c) Sprinkler	
(d) Marine	

<b>IOWA</b>	<b>Applying for</b>
<b>Property/Casualty Lines (515.48)</b>	
Fire	
Extended Coverage	
Other Allied Lines	
Homeowners Multiple Peril	
Commercial Multiple Peril	
Earthquake	
Growing Crops	
Ocean Marine	
Inland Marine	
Accident and Health	
Workers' Compensation	
Other Liability	
Auto Liability	
Auto Physical Damage	
Aircraft	
Fidelity and Surety	
Glass	
Burglary and Theft	
Boiler and Machinery	
Reinsurance Only (monoline)	
Financial Guaranty (monoline)	
Life (508, 509, 511) – Life Only	
Life (508, 509, 511 and 515) credit & variable life, annuities and variable annuities and	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>Iowa (continued)</b>	<b>Applying for</b>
A&H	
Reciprocal (520)	
Mortgage Guaranty (515C)	
Fraternal (512B)	

<b>KANSAS</b>	<b>Applying for</b>
Life (Includes Annuity and Variable Contracts)	
Accident and Health	
Stand-Alone Prescription Drug Provider	
<b>Fire Insurance</b>	
Fire	
Windstorm & Hail	
Extended Coverage	
Add'l. Perils on Growing Crops	
Hail on Growing Crops	
Optional Perils	
Sprinkler Leakage	
Business Interruption	
Earthquake	
Water Damage	
Aircraft Hull	
Ocean Marine	
Inland Marine	
Rain	
Automobile Physical Damage	
Flood	
Homeowners Policies	
<b>Casualty Insurance</b>	
Accident and Health	
Automobile Liability	
General Liability	
Workers' Compensation	
Fidelity, Surety & Forgery Bonds	
Glass	
Burglary, Theft & Robbery	
Boiler & Machinery	
Credit	
Title	
Malpractice Liability	
Livestock Mortality	
Aircraft Liability	
Cargo Liability	
Cost of Legal Services	
Mortgage Guaranty Insurance	

<b>KENTUCKY</b>	<b>Applying for</b>
<b>Life And Health Companies</b>	
Life (includes variable & credit) KRS 304.5-020	
Annuity (includes variable) KRS 304.5-030	
Health (includes credit) KRS 304.5-040	
<b>Property And Casualty Companies</b>	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>KENTUCKY (continued)</b>	<b>Applying for</b>
Health (includes credit) KRS 304.5-040	
Property KRS 304.5-050	
Surety KRS 304.5-060	
Casualty All Lines KRS 304.5-070 (1)(a) thru (1)(q)	
<b>Or, Casualty Limited to:</b>	
Vehicle Insurance KRS 304.5-070(1)(a)	
Liability Insurance KRS 304.5-070(1)(b)	
Workers' Compensation and Employers Liability KRS 304.5-070(1)(c)	
Burglary and Theft KRS 304.5-070(1)(d)	
Personal Property Floater KRS 304.5-070(1)(e)	
Glass KRS 304.5-070(1)(f)	
Boiler and Machinery KRS 304.5-070(1)(g)	
Leakage and Fire Extinguishing Equipment KRS 304.5-070(1)(h)	
Credit KRS 304.5-070(1)(i)	
Malpractice KRS 304.5-070(1)(j)	
Elevator KRS 304.5-070(1)(k)	
Congenital Defects KRS 304.5-070(1)(l)	
Livestock KRS 304.5-070(1)(m)	
Entertainments KRS 304.5-070(1)(n)	
Failure of Certain Institutions to Record Documents KRS 304.5-070(o)	
Automobile Guaranty KRS 304.5-070(1)(p)	
Miscellaneous KRS 304.5-070(1)(q)	
Marine and Transportation KRS 304.5-080	
Mortgage Guaranty KRS 304.5-100	
Title KRS 304.5-090	
<b>All Others Companies:</b>	
<b>Fraternal Benefit Society KRS 304.29-011</b>	
Life	
Health	
Lloyd's KRS 304.28-010	
Non-Profit Health Service Corporation KRS 304.32-030	
Reciprocal KRS 304.27-010	

<b>LOUISIANA*</b>	<b>Applying for</b>
Life	
Annuities	
Health and Accident	
Vehicle	
Liability	
Workers' Compensation	
Fire and Allied Lines	
Industrial Fire	
Fidelity	
Surety	
Credit Life, Health and Accident	
Credit Property and Casualty	
Marine and Transportation	
Miscellaneous	
Steam Boiler and Sprinkler Leakage	
Title	
Burglary and Forgery	
Crop	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>LOUISIANA (continued)</b>	<b>Applying for</b>
Homeowners	

\*All lines of business are as defined in Louisiana Revised Statutes 22:47.

<b>MAINE</b>	<b>Applying for</b>
<b>Life and Health</b>	
Life, including Credit Life and Annuities	
Health, including Credit Health	
Variable Life	
Variable Annuity	
<b>Property &amp; Casualty</b>	
Fire	
Allied Lines	
Farmowners Multiple Peril	
Homeowners Multiple Peril	
Commercial Multiple Peril	
Mortgage Guaranty	
Ocean Marine	
Inland Marine	
Financial Guaranty	
Workers' Compensation	
Medical Professional Liability	
Earthquake	
Other Liability	
Product Liability	
Auto Liability	
Auto Physical Damage	
Aircraft (all perils)	
Fidelity	
Surety	
Glass	
Burglary and Theft	
Boiler and Machinery	
Credit	
Federal Flood Insurance	
Title	

<b>MARYLAND</b>	<b>Applying for</b>
<b><i>Insurance Article of the Annotated Code of Maryland:</i></b>	
Variable Annuities – Section 1-101(d)(e), 16-601, 16-602	
Casualty (not including Vehicle Liability, Mortgage Guaranty & Workers' Compensation) – Section 1-101(i)	
Dental Plan Organization – Section 14-401	
Fraternal – 8-424	
Mortgage Guaranty – Sections 1-101(oo)	
Health – Sections 1-101(p)	
Life, including Annuities and Health (except Variable Life & Variable Annuities) Sections 1-101(d), 1-101(p), 1-101(x)	
Marine, Wet Marine & Transportation – Sections 1-101(z), 1-101(ss)	
Non-Profit Health Service Plan – Section 14-110	
Property and Marine (excluding Wet Marine and Transportation) – Section 1-101(gg), 1-101(z)	

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FORM 3

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>MARYLAND (continued)</b>	<b>Applying for</b>
Variable Life – Sections 16-601, 16-602	
Surety – Section 1-101(oo)	
Title – Section 1-101(qq)	
Vehicle Liability – Section 1-101(i)	
Workers' Compensation – Section 1-101(i)	
<b><i>Health-General Article of the Annotated Code of Maryland:</i></b>	
Health Maintenance Organizations – Sections 19-708, 19-709, 19-710	
Provider-Sponsored Organizations – Section 19-7A	

<b>MASSACHUSETTS</b>	<b>Applying for</b>
<b>(M.G.L. 175 § 47)</b>	
(1) Fire	
(2A) Ocean Marine	
(2B) Inland Marine Only	
(4) Fidelity and Surety	
(5A) Boiler, Fly Wheel, Machinery, Explosion	
(5B) Boiler (no inspector), Fly Wheel, Machinery, Explosion	
(6A) Accident - All Kinds	
(6B) Health - All Kinds	
(6C) Group Accident and Health Only	
(6D) Non-Cancelable Accident and Health Only	
(6E) Workers' Compensation	
(6F) Liability Other than Auto	
(6G) Auto Liability	
(7) Glass	
(8) Water Damage and Sprinkler Leakage	
(9) Elevator Property Damage and Collision	
(10) Credit	
(11) Title (Title Companies Only)	
(12) Burglary, Robbery, Theft, Forgery, Larceny	
(13) Livestock	
(15) Reinsurance	
(16A) Life - All Kinds	
(16B) Group Life Only	
(16C) Variable Annuity Authorization	
(16D) Annuities Only	
(16E) Variable Life Authorization	
(17) Repair - Replacement	
(19) Legal Services	
(20) Credit Involuntary Unemployment	
(51) Stock Companies Extension of Coverage- M.G.L. 175 §51(g)	
(54) Mutual Companies (specified in Section 47) - M.G.L. 175 § 54(g)	
(54BX) Reinsurance except Life - M.G.L. 175 § 54B	
(54BY) Nuclear Energy - M.G.L. 175 § 54B	
(54BZ) Special Hazards - Radioactive Contamination - M.G.L. 175 § 54B	
(54C) Comprehensive Motor Vehicle and Aircraft - M.G.L. 175 § 54C	
(54D) Personal Property Floater - M.G.L. 175 § 54D	
(54E) Dwellings - M.G.L. 175 § 54E	
(54F) Commercial Property (Multiple Peril) - M.G.L. 175 § 54F	
(54G) Reinsurance - Life Companies Only - M.G.L. 175 § 54G	

<b>MICHIGAN</b>	<b>Applying</b>
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Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

	for
Life and Annuity - Other than Variable Contracts (MCL 500.602)	
Separate Account - Variable Annuities (MCL 500.925)	
Separate Account - Variable Life (MCL 500.925)	
Separate Accounts - Modified Guaranteed Annuities (MCL 500.4101)	
Disability (MCL 500.606)	
Property (MCL 500.610)	
Ocean Marine (MCL 500.614)	
Inland Marine (MCL 500.616)	
Automobile Insurance - Limited (MCL 500.620)	
Legal Expense (MCL 500.618)	
Casualty-Steam Boiler, Flywheel and Machinery (MCL 500.624(1)a)	
Casualty-Liability (MCL 500.624(1)b)	
Casualty-Automobile, including Section 500.625, disability coverage supplemental to automobile insurance (MCL 500.624(1)b)	
Casualty-Workers' Compensation (MCL 500.624(1)b)	
Casualty-Plate Glass (MCL 500.624(1)c)	
Casualty-Sprinkler and Water Damage (MCL 500.624(1)d)	
Casualty-Credit (MCL 500.624(1)e)	
Casualty-Burglary and Theft (MCL 500.624(1)f)	
Casualty-Livestock (MCL 500.624(1)g)	
Casualty-Malpractice (MCL 500.624(1)h)	
Casualty-Miscellaneous (MCL 500.624(1)i)	
Surety and Fidelity (MCL 500.628)	
Limited Liability (MCL 500 Chapter 65)	
Title (MCL 500 Chapter 73)	
Fraternal (MCL 500 Chapter 81a)	

MINNESOTA	Applying for
<b>(MS 60A.06, Subd.1)</b>	
Fire (1)	
Inland Marine (2a)	
Ocean Marine (2a)	
Personal Property Floater (2b)	
Boiler and Machinery (3)	
Life (4)	
Variable Contract Authority (4)	
Accident and Health (5a)	
Workers' Compensation (5b)	
Fidelity (6)	
Surety (6)	
Title (7)	
Glass (8)	
Burglary & Theft (9a)	
Security and Drafts (9b)	
Personal Property Floater - Casualty (9c)	
Water (9d)	
Livestock (10)	
Credit (11)	
Automobile (12)	
General Liability (13)	
Elevator (14)	
Legal Expense (15)	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>MISSISSIPPI</b>	<b>Applying for</b>
<b>(MCA 83-19-1 Classifications of Insurance Companies)</b>	
<b>Class 1. Fire and Casualty</b>	
(a) Fire and Allied Lines	
(b) Industrial Fire	
(c) Casualty/Liability	
(d) Fidelity	
(e) Surety	
(f) Workers' Compensation	
(g) Boiler and Machinery	
(h) Plate Glass	
(i) Aircraft	
(j) Inland Marine	
(k) Ocean Marine	
(l) Automobile Physical Damage/Automobile Liability	
(m) Homeowners/Farmowners	
(n) Guaranty	
(o) Mortgage Guaranty	
(p) Title	
(q) Trip Accident and Baggage	
(r) Legal	
(s) Credit Property	
<b>Class 2. Life</b>	
(a) Life	
(b) Accident and Health	
(c) Credit Life, Credit Accident and Health	
(d) Industrial Life, Industrial Accident and Health	
(e) Variable Contracts	
(f) Life (Burial)	
<b>Class 3. Fraternal</b>	
(a) Fraternal	
(b) Larger Fraternal	
<b>Class 4. Burial</b>	
(MCA 83-41-303) Health Maintenance Organization	

<b>MISSOURI</b>	<b>Applying for</b>
<b>A – Life and Health (RSMo 376)</b>	
A1 – Life, Annuities and Endowments (376.010)	
A2 – Accident and Health (376.010)	
A3 – Variable contracts (376.309, RSMo)	
H – Title (RSMo 381)	
<b>B – Property and Casualty (RSMo 379)</b>	
B1 – Property (379.010.1(1))	
B2 – Liability (379.010.1(2)) (Includes Workers' Compensation	
B3 – Fidelity and Surety (379.010.1(3))	
B4 – Accident and Health (379.010.1(4))	
B5 – Miscellaneous (379.010.1(5))	
Health Maintenance Organization (354.400)	
Prepaid Dental Plan (354.700)	
Fraternal Benefit (378) RSMo	
Other	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>MONTANA</b>	<b>Applying for</b>
Life (including variable contract authority) § 33-1-208 and 33-20-605, MCA	
Life (excluding variable contract authority) § 33-1-208, MCA	
Disability §33-1-207, MCA	
Property §33-1-210, MCA	
Casualty (including Workers' Comp) §33-1-206, MCA	
Casualty (excluding Workers' Comp) §33-1-206, MCA	
Surety §33-1-211, MCA	
Marine §33-1-209, MCA	
Title §33-1-212, MCA	

<b>NEBRASKA</b>	<b>Applying for</b>
Life (1)	
Variable Life (2)	
Variable Annuities (3)	
Sickness & Accident (4)	
Property (5)	
Credit Property (6)	
Glass (7)	
Burglary & Theft (8)	
Boiler & Machinery (9)	
Liability (10)	
Workers' Compensation & Employers Liability (11)	
Vehicle (12)	
Fidelity (13)	
Surety (14)	
Title (15)	
Credit (16)	
Mortgage Guaranty (17)	
Marine (18)	
Financial Guaranty (19)	
Miscellaneous (20)	

<b>NEVADA</b>	<b>Applying for</b>
Life (681A.040)	
Health (681A.030)	
Property (681A.060)	
Casualty (681A.020) (Including Workers' Comp)	
Casualty (681A.020) (Excluding Workers' Comp)	
Surety (681A.070)	
Marine and Transportation (681A.050)	
Title (681A.080)	
Surplus Lines (685A)	
Risk Retention Group (695E)	
Funeral/Cemetery Sellers (689)	
Premium Finance Company (686A)	
Motor Clubs (696A)	
Health Maintenance Organization (695C)	
Prepaid Ltd. Health Service Organization (695F)	
Variable (688A)	
Home Protection (690B.100)	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>NEW HAMPSHIRE</b>	<b>Applying for</b>
Fire and Allied Lines (RSA 401.1, I)	
Marine Coverages (RSA 401.1, II)	
Life and Annuities (RSA 401.1, III)	
Variable Annuities Require a Separate License (RSA 401.1, III)	
Accident and/or Health Coverages (401.1, IV)	
Liability/Casualty Coverages, Including Workers' Compensation (RSA 401.1, V)	
Casualty Coverages (RSA 401.1, VI)	
Fidelity, Surety, Credit Insurance, Mortgage Guaranty, Bonds, and Financial Guaranty (RSA 401.1, VII)	
Other Casualty Risks. Insurance against any other casualty risk not otherwise specified under paragraph V. (RSA 401.1, VIII)	
Title (RSA 416-A)	
Fraternal (RSA 418:16)	

<b>NEW JERSEY</b>	<b>Applying for</b>
(1) Fire (N.J.S.A. 17:17-1a)	
(2) Earthquake (N.J.S.A. 17:17-1a)	
(3) Growing Crops (N.J.S.A. 17:17-1a)	
(4) Ocean Marine (N.J.S.A. 17:17-1b)	
(5) Inland Marine (N.J.S.A. 17:17-1b)	
(6) Workers' Compensation and Employers Liability (N.J.S.A. 17:17-1e)	
(7) Automobile Liability (BI) (N.J.S.A. 17:17-1e)	
(8) Automobile Liability (PD) (N.J.S.A. 17:17-1e)	
(9) Automobile Physical Damage (N.J.S.A. 17:17-1e)	
(10) Aircraft Physical Damage (N.J.S.A. 17:17-1b)	
(11) Other Liability (N.J.S.A. 17:17-1e)	
(12) Boiler & Machinery (N.J.S.A. 17:17-1f)	
(13) Fidelity & Surety (N.J.S.A. 17:17-1g)	
(14) Credit (N.J.S.A. 17:17-1i)	
(15) Burglary & Theft (N.J.S.A. 17:17-1j)	
(16) Glass (N.J.S.A. 17:17-1k)	
(17) Sprinkler Leakage (N.J.S.A. 17:17-1l)	
(18) Livestock (N.J.S.A. 17:17-1m)	
(19) Smoke & Smudge (N.J.S.A. 17:17-1n)	
(20) Physical Loss to Buildings (N.J.S.A. 17:17-1o)	
(21) Radioactive Contamination (N.J.S.A. 17:17-1o)	
(22) Mechanical Breakdown/Power Failure (N.J.S.A. 17:17-1o)	
(23) Other (must be pre-approved by the Commissioner) (N.J.S.A. 17:17-1o)	
(26) Accident and Health (Property/Casualty Companies) (N.J.S.A. 17B:17-4)	
(27) Municipal Bond (N.J.A.C. 11:7)	
(28) Life (N.J.S.A. 17B:17-3)	
(29) Accident and Health (Life/Health Companies) (N.J.S.A. 17B:17-4)	
(30) Annuities (N.J.S.A. 17B:17-5)	
(31) Variable Contracts (N.J.S.A. 17B:28-1 et seq.)	
(33) Title (N.J.S.A. 17:46B-7)	
(34) Fraternal Benefit Society (N.J.S.A. 17:44B)	
(35) Residential Mortgage Guaranty (N.J.S.A. 46A-3)	
(36) Commercial Mortgage Guaranty (N.J.S.A. 46A-3)	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>NEW MEXICO</b>	<b>Applying for</b>
Life and Annuities (NMSA Section 59A-7-2)	
Accident and Health (NMSA Section 59A-7-3)	
Property (NMSA Section 59A-7-4)	
Casualty (NMSA Section 59A-7-6)	
Variable Life and Annuity (NMSA Section 59A-7-7)	

<b>NEW YORK</b>	<b>Applying for</b>
<b>(Notes 1 and 2)</b>	
<b>(Section 1113(a) of the N.Y. Ins. Law)</b>	
(1) Life	
(2) Annuities	
(3) (i) – A&H – Other than Non-Cancellable Disability	
(3) (ii) – A&H – Non-Cancellable Disability	
(4) Fire	
(5) Miscellaneous Property	
(6) Water Damage	
(7) Burglary & Theft	
(8) Glass	
(9) Boiler and Machinery	
(10) Elevator	
(11) Animal	
(12) Collision	
(13) Personal Injury Liability	
(14) Property Damage Liability	
(15) Workers' Compensation and Employers' Liability	
(16) Fidelity and Surety	
(17) Credit	
(19) Motor Vehicle and Aircraft Physical Damage	
(20) Marine and Inland Marine	
(21) Marine Protection and Indemnity	
(22) Residual Value	
(24) Credit Unemployment	
(26) Gap	
(27) Prize Indemnification	
(28) Service Contract Reimbursement	
(29) Legal Services	
(30) Involuntary Unemployment	
(31) Salary Protection	
<b>Monoline only:</b>	
Title – Section 1113(a)(18) & Article 64 of the N.Y. Ins. Law	
Mortgage Guaranty - Section 1113(a)(23) & Article 65 of the N.Y. Ins. Law	
Financial Guaranty - Section 1113(a)(25) & Article 69 of the N.Y. Ins. Law	

**Note 1:** A company may only apply for the lines of insurance for which it is authorized in its state of domicile.

**Note 2:** The company must have transacted business for a minimum of three (3) years prior to seeking admission. If the company was recently acquired, at least three (3) years of operating experience under the new management is required. An affiliated insurer admitted in New York and operating under the same ownership/management team for at least three (3) years may satisfy this requirement. If the aforementioned situation applies, a written request for approval of a waiver must be submitted with the application.

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>NORTH CAROLINA</b>	<b>Applying for</b>
<b>Life (NCGS 58-7-15)</b>	
Life, Including Industrial and Credit Life	
Annuities	
Variable Annuities	
Variable Life	
Accident and Health - Cancelable	
Accident and Health - Non-Cancelable	
Accident and Health – Credit	
<b>Fire (NCGS 58-7-15)</b>	
Fire	
Miscellaneous Property - Extended Coverage	
Miscellaneous Property - Growing Crops	
Water Damage – Commercial	
Water Damage - Residence	
Burglary and Theft	
Glass	
Animal	
Collision – Automobile	
Collision – Other	
Motor Vehicle and Aircraft - Property Damage	
Motor Vehicle and Aircraft - Fire	
Motor Vehicle and Aircraft - Theft	
Motor Vehicle and Aircraft - Comprehensive	
Motor Vehicle and Aircraft - Collision	
Marine – Inland	
Marine – Ocean	
Marine Protection and Indemnity	
Other	
<b>Casualty (NCGS 58-7-15)</b>	
Accident and Health – Cancelable	
Accident and Health – Non Cancelable	
Accident and Health – Credit	
Water Damage – Commercial	
Water Damage – Residence	
Burglary and Theft	
Glass	
Boiler and Machinery	
Elevator	
Animal	
Collision – Automobile	
Collision – Other	
Personal Injury Liability – Automobile	
Personal Injury Liability – Other	
Property Damage Liability – Automobile	
Property Damage Liability - Other	
Workers' Compensation and Employer's Liability	
Fidelity and Surety	
Credit	
Title	
Motor Vehicle and Aircraft – Property Damage	
Motor Vehicle and Aircraft – Fire	
Motor Vehicle and Aircraft – Theft	

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Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>NORTH CAROLINA (continued)</b>	<b>Applying for</b>
Motor Vehicle and Aircraft – Comprehensive	
Motor Vehicle and Aircraft – Collision	
Marine Protection and Indemnity	
Aircraft Voluntary Settlement	
Hole-in-One	
Other	
Mortgage Guaranty	

<b>NORTH DAKOTA</b>	<b>Applying for</b>
Life & Annuity	
Accident & Health	
Property	
Casualty	
Variable Life and Annuity	

<b>OHIO</b>	<b>Applying for</b>
Life Companies (O.R.C. 3911.01)	
Life	
Accident and Health (Including Disability)	
Annuities	
Variable Authority (if licensed under O.R.C. 3911.01 for both Life and Annuities lines of business, such company may apply for Variable Annuity) (O.R.C. 3911.011)	
<b>Property &amp; Casualty (O.R.C. 3929.01(A))</b>	
(1) Fire	
(2) Allied Lines	
(3) Farmowners Multiple Peril	
(4) Homeowners Multiple Peril	
(5) Commercial Multiple Peril	
(6) Ocean Marine	
(7) Inland Marine	
(8) Financial Guarantee	
(9) Medical Malpractice	
(10) Earthquake	
(11) Group A&H	
(12) Credit A&H (Group and Individual)	
(13a) Collectively Renewable A&H	
(13b) Noncancelable A&H	
(13c) Guaranteed Renewable A&H	
(13d) Nonrenewable for Stated Reasons Only	
(13e) Other Accident Only	
(13f) All Other A&H	
(14) Workers' Compensation (to the extent permitted by law)	
(15) Other Liability	
(16a) Private Passenger Auto No-Fault (personal injury protection to the extent permitted by law)	
(16b) Other Private Passenger Auto Liability	
(16c) Commercial Auto No-Fault (personal injury protection to the extent permitted by law)	
(16d) Other Commercial Auto Liability	
(17a) Private Passenger Auto Physical Damage	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>OHIO (continued)</b>	<b>Applying for</b>
(18) Aircraft (all perils)	
(19) Fidelity	
(20) Surety	
(21) Glass	
(22) Burglary and Theft	
(23) Boiler and Machinery	
(24) Credit	
(25) Reinsurance Only	
(26) Other (list)	
Title Insurance (O.R.C. 3953)	

<b>OKLAHOMA</b>	<b>Applying for</b>
Life (O.S. 36 §702)	
Surety (including bail) (OAC 365:25-5-41)	
Surety (excluding bail) (O.S 36 §708)	
Title (O.S. 36 §709)	
Marine (O.S. 36 §705)	
Accident & Health (O.S. 36 §703)	
Property (O.S. 36 §704)	
Vehicle (O.S. 36 §706)	
Casualty (vehicle only) (O.S. 36 §706)	
Casualty (including vehicle)(O.S. 36 §707)	
Workers' Compensation (O.S. 36 §608, §612.2)	
Variable Annuity (O.S. 36 §6061, §6062, OAC 365:10.9.10)	
Variable Life (O.S. 36 §6061, §6062)	
Reinsurance (O.S. 36 §2132)	
Health Maintenance Organizations (O.S.36 §6901)	

<b>OREGON</b>	<b>Applying for</b>
Life (ORS 731.170)	
Credit Life and Credit Health (ORS 743.371)	
Industrial Life Insurance (ORS 731.166)	
Health (ORS 731.162)	
Health Care Service Contractor (ORS 750.005)	
Health Care Service Contractor (Complementary Health Services) (ORS 750.005)	
Property (ORS 731.182)	
Casualty, Excluding Workers' Comp (ORS 731.158)	
Casualty, Including Workers' Comp (ORS 731.158)	
Marine & Transportation (ORS 731.174)	
Surety (ORS 731.186)	
Home Protection (only) (ORS 731.164)	
Mortgage (only) (ORS 731.178)	
Title (only) (ORS 731.190)	

<b>PENNSYLVANIA</b>	<b>Applying for</b>
<b>(Notes 1 and 2)</b>	
<b>Life</b>	
Life and Annuities (40 P.S. § 382(a)(1))	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>PENNSYLVANIA (continued)</b>	<b>Applying for</b>
Separate Account – Variable Life (40 P.S. § 382(a)(1))	
Separate Account – Variable Annuities (40 P.S. § 382(a)(1))	
Accident and Health (40 P.S. § 382(a)(2))	
<b>Property</b>	
Fire and Allied Lines (40 P.S. § 382(b)(1))	
Inland Marine & Auto Physical (40 P.S. § 382(b)(2))	
Ocean Marine (40 P.S. § 382(b)(3))	
<b>Casualty</b>	
Fidelity and Surety (40 P.S. § 382(c)(1))	
Accident and Health (40 P.S. § 382(c)(2))	
Glass (40 P.S. § 382(c)(3))	
Other Liability (40 P.S. § 382(c)(4))	
Steam Boiler & Machinery (40 P.S. § 382(c)(5))	
Burglary-Theft (40 P.S. § 382(c)(6))	
Credit (40 P.S. § 382(c)(7))	
Water (40 P.S. § 382(c)(8))	
Elevator (40 P.S. § 382(c)(9))	
Livestock (40 P.S. § 382(c)(10))	
Auto Liability (40 P.S. § 382(c)(11))	
Mine & Machinery (40 P.S. § 382(c)(12))	
Personal Property Floater (40 P.S. § 382(c)(13))	
Workers' Compensation (40 P.S. § 382(c)(14)) (Note 3)	
Other (40 P.S. § 382(e))	
Title (40 P.S. § 910-1)	

<b>PUERTO RICO</b>	<b>Applying for</b>
Agricultural (Section 4.060 of the Insurance Code)	
Casualty (Section 4.080 of the Insurance Code)	
Disability (Section 4.030 of the Insurance Code)	
Fraternal Life (Chapter 36 of the Insurance Code)	
Health (Chapter 19 of the Insurance Code)	
Life (Section 4.020 of the Insurance Code)	
Marine & Transportation (Section 4.050 of the Insurance Code)	
Mortgage Loans (Chapter 23 of the Insurance Code)	
Title (Section 4.100 of the Insurance Code)	
Surety (Section 4.090 of the Insurance Code)	
Property (Section 4.040 of the Insurance Code)	
Variable Life (Section 4.020 of the Insurance Code)	
Variable Annuities (Section 4.020 of the Insurance Code)	
Vehicle (Section 4.070 of the Insurance Code)	

<b>RHODE ISLAND</b>	<b>Applying for</b>
<b>Life and Health Companies:</b>	
Life (Note 1)	
Accident and Health (Note 1)	
Annuities (Note 1)	
Variable Life (Note 1)	
Variable Annuity (Note 1)	
Variable Contracts (Notes 1 and 2)	
<b>Property and Casualty Companies:</b> (Note 3)	
Fire	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>RHODE ISLAND (continued)</b>	<b>Applying for</b>
Allied Lines	
Multi-Peril Crop	
Federal Flood	
Farmowners Multi-Peril	
Homeowners Multi-Peril	
Commercial Multi-Peril	
Ocean Marine	
Inland Marine	
Medical Malpractice/Medical Liability	
Earthquake	
Accident & Health	
Workers' Compensation	
Other Liability	
Products Liability	
Automobile (Full Coverage)	
Aircraft (All Perils)	
Fidelity	
Surety	
Glass	
Burglary and Theft	
Boiler and Machinery	
Credit	
Warranty	
Title	
Financial Guaranty or Mortgage Guaranty	

<b>SOUTH CAROLINA</b>	<b>Applying for</b>
Life and Annuities (SC 38-5-30)	
Accident and Health (SC 38-5-30)	
Property (SC 38-5-30)	
Casualty (SC 38-5-30)	
Surety (SC 38-5-30)	
Marine (SC 38-5-30)	
Title (SC 38-5-30)	

<b>SOUTH DAKOTA</b>	<b>Applying for</b>
(1) Life	
(2) Health	
(3) Fire & Allied Lines	
(4) Inland & Ocean Marine	
(5) Workers' Compensation	
(6) Bodily Injury (No Auto)	
(7) Property Damage (No Auto)	
(8) Bodily Injury (Auto)	
(9) Property Damage (Auto)	
(10) Physical Damage (Auto)	
(11) Fidelity & Surety Bonds	
(12) Glass	
(13) Burglary & Theft	
(14) Boiler & Machinery	
(15) Aircraft	

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FORM 3

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>SOUTH DAKOTA (continued)</b>		<b>Applying for</b>
(16)	Credit (includes Credit Life; Credit Health; Credit Mortgage Guaranty and GAP (Guaranteed Auto Protection))	
(17)	Crop - Hail	
(18)	Livestock	
(19)	Title	
(20)	Variable Annuity	
(21)	Variable Life	
(22)	Reinsurance	
(23-A)	Travel	
(23-C)	Bail Bonds	
(24)	SD Farm Mutual (County)	
(25)	SD Farm Mutual (State)	
(27)	Personal	

<b>TENNESSEE</b>		<b>Applying for</b>
Life (TCA 56-2-201), (a)		
Accident and Health (TCA 56-2-201), (a)		
Credit (TCA 56-2-201), (a)		
Variable Contracts (TCA 56-2-201), (a)		
Property (TCA 56-2-201), (a), (b)		
Vehicle (TCA 56-2-201), (a), (c)		
Casualty (TCA 56-2-201) (a), (d)		
Surety (TCA 56-2-201) (a), (e)		
Title (TCA 56-35-112) (a)		

<b>TEXAS</b>		<b>Applying for</b>
Fire		
Allied Coverages (a)		
Hail, growing crops only		
Rain		
Inland Marine (b)		
Ocean Marine		
Aircraft Liability		
Aircraft Physical Damage		
Accident		
Health		
Workers' Comp & Emp. Liability		
Employer's Liability		
Automobile Liability (c)		
Automobile Physical Damage (d)		
Liability other than Automobile (e)		
Fidelity and Surety		
Glass		
Burglary and Theft		
Forgery		
Boiler and Machinery		
Credit (f)		
Livestock (g)		
Title (h)		
Mortgage Guaranty Type I (i)		
Mortgage Guaranty Type II (i)		

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Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>TEXAS</b>	<b>Applying for</b>
Life (includes Annuity)	
Variable Life	
Variable Annuity	

<b>UTAH</b>	<b>Applying for</b>
<b>Health</b>	
Health Maintenance Organization (Utah Code Ann. §31A-8-101(5))	
Limited Health Plan (Utah Code Ann. §31A-8-101(3)(a))	
Limited Health Plan – Dental	
Limited Health Plan – Vision	
Nonprofit Health Plan (Utah Code Ann. §31A-7-102)	
<b>Life</b>	
Life Insurance, including annuity and variable products (Utah Code Ann. §31A-1-301(110), 31A-1-301(9) & 31A-20-106)	
<b>Property and Casualty</b>	
Accident & Health (Utah Code Ann. §31A-1-301(1)(a))	
Bail Bond Surety (Utah Code Ann. § 31A-1-301(12))	
Credit Guarantee (Utah Code Ann. § 31A-1-301(37)(a))	
Legal Expense (Utah Code Ann. § 31A-1-301(107)(a))	
Liability Insurance (Utah Code Ann. § 31A-1-301(108)(a))	
Marine & Transportation (Utah Code Ann. § 31A-1-301(90) & 31A-1-301 (130))	
Motor Club (Utah Code Ann. § 31A-1-301(125))	
Professional Liability, excluding medical malpractice (Utah Code Ann. § 31A-1-301(108))	
Professional Liability, including medical malpractice (Utah Code Ann. § 31A-1-301(119) & 31A-1-301(151))	
Property Insurance (Utah Code Ann. § 31A-1-301(152)(a)(b))	
Surety Insurance (Utah Code Ann. § 31A-1-301(177))	
Title Insurance (Utah Code Ann. § 31A-1-301(180))	
Vehicle Liability Insurance (Utah Code Ann. § 31A-1-301(185))	
Workers' Compensation Insurance (Utah Code Ann. § 31A-1-301(188))	

<b>VERMONT</b>	<b>Applying for</b>
Life (Section 3301(a)(1))	
Variable Annuity (Section 3301(a)(1)) and (Section 3857)	
Variable Life (Section 3301(a)(1)) and (Section 3857)	
Health (Section 3301(a)(2))	
Casualty (Section 3301(a)(3))	
Marine and Transportation (Section 3301(a)(4))	
Marine Protection and Indemnity (Section 3301(a)(5))	
Wet Marine and Transportation (Section 3301(a)(6))	
Property (Section 3301(a)(7))	
Surety (Section 3301(a)(8))	
Title (Section 3301(a)(9))	
Multiple Line (Section 3301(a)(10))	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>VIRGINIA</b>	<b>Applying for</b>
<b>(§ 38.2 101 through 134)</b>	
<b>Life and Health and Fraternal Benefit Society</b>	
01 Life	
02 Industrial Life	
03 Credit Life	
04 Variable Life	
05 Annuities	
06 Variable Annuities	
07 Accident and Sickness	
08 Credit Accident and Sickness	
99 Managed Care Health Insurance Plan *	
<b>Title</b>	
33 Title	
<b>Property and Casualty</b>	
07 Accident and Sickness	
08 Credit Accident and Sickness	
09 Fire	
10 Miscellaneous Property and Casualty	
11 Farmowners Multi Peril	
12 Homeowners Multi Peril	
13 Commercial Multi Peril	
14 Ocean Marine	
15 Inland Marine	
16 Workers' Comp-Emp Liability	
17 Liability Other Than Auto	
18 Auto Liability	
19 Auto Physical Damage	
20 Aircraft Liability	
21 Aircraft Physical Damage	
23 Fidelity	
24 Surety	
25 Glass	
26 Burglary and Theft	
27 Boiler and Machinery	
28 Credit	
29 Animal	
30 Water Damage	
32 Legal Services	
55 Home Protection	
56 Mortgage Guaranty	
74 Credit Involuntary Unemployment	
75 Credit Property	
99 Managed Care Health Insurance Plan *	
<b>WASHINGTON</b>	<b>Applying for</b>
Life (RCW 48.11.020)	
Disability (RCW 48.11.030)	
Property (RCW 48.11.040)	
Marine and Transportation (RCW 48.11.050)	
Vehicle (RCW 48.11.060)	
General Casualty (RCW 48.11.070)	

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Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

<b>WASHINGTON (continued)</b>	<b>Applying for</b>
Surety (RCW 48.11.080)	
Title (RCW 48.11.100)	
Ocean Marine (RCW 48.11.105)	

<b>WEST VIRGINIA</b>	<b>Applying for</b>
Life (WV Code §33-1-10(a))	
Accident & Sickness (WV Code §33-1-10(b))	
Fire (WV Code §33-1-10(c))	
Marine (WV Code §33-1-10(d))	
Casualty without Workers' Compensation (WV Code §33-1-10(e))	
Casualty with Workers' Compensation (WV Code §33-1-10(e)(14))	
Surety (WV Code §33-1-10(f)(1)) Fidelity	
Surety (WV Code §33-1-10(f)(2)) Performance	
Surety (WV Code §33-1-10(f)(3)) Financial Guaranty	
Surety (WV Code §33-1-10(f)(3)) Mortgage Guaranty (monoline)	
Surety (WV Code §33-1-10(f)(4)) Title	
Reinsurance (WV Code §33-1-11)*	
Variable Annuity (WV Code §33-13A)	
Variable Life (WV Code §33-13A)	
Physicians' Mutual (WV Code §33-20F)	
Reciprocal (WV Code §33-21) **	
Farmers Mutual Fire (WV Code §33-22)	
Fraternal (WV Code §33-23)	
Hospital Service Corporation (WV Code §33-24)	
Medical Service Corporation (WV §33-24)	
Health Service Corporation (WV §33-24)	
Dental Service Corporation (WV §33-24)	

<b>WISCONSIN</b>	<b>Applying for</b>
<b>(s. Ins 6.75, Wis. Adm. Code)</b>	
(1) (a) Life and Insurance Annuities - Nonparticipating	
(1) (a) Life and Insurance Annuities -Participating	
(1) (b) Variable Life and Variable Annuities	
(1) (c) Disability (includes health)	
(2) (a) Fire, Inland Marine and Other Property	
(2) (b) Ocean Marine	
(2) (c) Disability (includes health)	
(2) (d) Liability and Incidental Medical Expense	
(2) (e) Automobile	
(2) (f) Fidelity Insurance	
(2) (g) Surety Insurance	
(2) (h) Title	
(2) (i) Mortgage Guaranty	
(2) (j) Credit Insurance	
(2) (k) Workers' Compensation Insurance	
(2) (l) Legal Expense Insurance	
(2) (m) Credit Unemployment Insurance	
(2) (n) Miscellaneous	
(2) (o) Aircraft	

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

WYOMING	Applying for
Life, including annuities (WS 26-5-102)	
Variable Contracts (WS 26-5-102)	
Disability (WS 26-5-103)	
Property (WS 26-5-104)	
Surety (WS 26-5-105)	
Casualty (WS 26-5-106)	
Marine and Transportation (WS 26-5-107)	
Multiple Lines (WS 26-5-108)	
Title (WS 26-5-109)	

Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**UNIFORM CERTIFICATE OF AUTHORITY APPLICATION (UCAA)**  
**Management Information Form**  
**Complete Listing of Incorporators, Officers**  
**Directors and Shareholders (10% or more)**

Incorporators	Titles	Ownership Percentage	Bio Provide/Disclaimer*
Officers:			
Directors:			
Shareholders:			

- Disclaimer IF allowed by State.

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

### Debt-to-Equity Ratio Statement

Members of a holding company system must complete debt-to-equity information. The comprehensive debt-to-equity ratio statement includes the following information.

- A. Consolidated outside debt to consolidated equity ratio on a GAAP basis for the holding company.\*

Debt Duration	Debt Amount (\$)	Debt to Consolidated Equity Ratio
Up to 5 years		
Up to 10 years		
Up to 20 years		

- B. Provide the most recent consolidated holding company financial statement.

[Attachment Button](#)

- C. State if the holding company, on a consolidated basis, has a tangible net worth:  
a) for the past three years;  
b) at present; and  
c) provide projections with assumptions for a three-year period.

[Attachment Button](#)

- D. The Applicant Company must clearly substantiate the sources of repayment of any debt, including, but not limited to, whether the source of repayment is independent from the future income of the insurers.

- E. Calculate the debt service (as reported in D above) required of each insurer as a percentage of the Applicant Company's capital and surplus.

[Attachment Button](#)

- F. List the assets of the holding company, if any, that are pledged to fund the debt service or debt repayment of an affiliate or parent (include the assets or stock of any insurer subsidiaries)

[Attachment Button](#)

- G. List any guarantees (personal or otherwise) from the shareholders for repayment of the debt.

[Attachment Button](#)

\*Some states may require re-statement based upon statutory equity.

Proposed Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**Holding Company Questions**

**Lines of Business: Life**

**Uniform Certificate of Authority Application  
QUESTIONNAIRE**

All questions must be answered. Directions: Each "Yes" or "No" question is to be answered. Other answers and additional explanations or details should be attached to the questionnaire.

1. I hold the position(s) of \_\_\_\_\_ with the Applicant Company.
2. Has the Applicant Company transferred or encumbered any portion of its assets or business, or has its outstanding capital stock been directly or indirectly pledged?

Yes \_\_\_\_ No \_\_\_\_

If the answer is yes, attach explanation.

Attachment Button

3. A. Will the Applicant Company be negotiating or inviting negotiations for any transaction that would transfer or encumber any portion of its assets or business or result in a merger or consolidation with another company in the foreseeable future?  
Yes \_\_\_\_ No \_\_\_\_

- B. Does the Applicant Company contemplate a change in management or any transaction that would normally result in a change of management within the reasonably foreseeable future?

Yes \_\_\_\_ No \_\_\_\_

If the answer to either question is yes, attach explanation.

Attachment Button

4. Is the Applicant Company owned or controlled by a holding corporation?

Yes \_\_\_\_ No \_\_\_\_

If yes, attach and make a part hereof an affidavit by an executive officer of the Applicant Company who knows the facts listing the principal owners (10% or more of the outstanding shares) of such holding corporation by name and residence address, business occupation and business affiliations.

Attachment Button

5. Is the Applicant Company owned, operated or controlled, directly or indirectly, by any other state or province, district, territory or nation or any governmental subdivision or agency?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire

6. Has any person who is presently an officer or director of Applicant Company or an individual who directly or indirectly controls 10% or more of the Applicant Company;

- A. Been convicted on, or pleaded guilty or nolo contendere to, an indictment or information in any jurisdiction charging a felony for theft, larceny or mail fraud or, of violating any corporate securities statute or any insurance statute?

Yes \_\_\_\_ No \_\_\_\_

- B. Presently engaged in a dispute with any state or federal regulatory agency?

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

Yes \_\_\_\_ No \_\_\_\_

- C. A plaintiff or defendant in any legal action other than one arising out of policy claims?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide a summary of each case and an estimate of the probable liability, if any, and attach.

Attachment Button

7. Does the Applicant Company intend to purchase investment securities through any investment banking or brokerage house or firm from whom any of Applicant Company's officers, directors, trustees, investment committee members or controlling stockholders receive a commission on such purchases?

Yes \_\_\_\_ No \_\_\_\_

Attachment Button

If yes, provide the details and attach.

8. Is the Applicant Company a,

- A. Bank

Yes \_\_\_\_ No \_\_\_\_

- B. Bank holding company, subsidiary or affiliate

Yes \_\_\_\_ No \_\_\_\_

- C. Financial holding company

Yes \_\_\_\_ No \_\_\_\_

- D. Other financial institution

Yes \_\_\_\_ No \_\_\_\_

If yes, identify the bank(s), bank holding company(ies) or financial institution and the affiliation of the Applicant Company. Provide the details and attach.

Attachment Button

9. Has the Applicant Company, since its inception, done any of the following:

- A. Made a loan to an entity owned or controlled directly or through a holding corporation by one or more of Applicant Company's officers, directors, trustees or investment committee members, or to any such person?

Yes \_\_\_\_ No \_\_\_\_

- B. Sold or transferred any of its assets or property, real or personal, to any such entity or person?

Yes \_\_\_\_ No \_\_\_\_

- C. Had its outstanding capital stock directly or indirectly pledged for the debt of an affiliate?

Yes \_\_\_\_ No \_\_\_\_

- D. Purchased securities, assets or property of any kind from an entity owned or controlled by one or more of the Applicant Company's officers, directors, trustees, or any persons who have authority in the management of the Applicant Company's funds (including a controlling stockholder)?

Yes \_\_\_\_ No \_\_\_\_

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

If the answer to any of the last four questions is affirmative, did any officer, director, trustee or any person who had authority in the management of the Applicant Company's funds (including a controlling stockholder) receive any money or valuable thing for negotiating, procuring, recommending or aiding in such transaction?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, provide the details and attach.

Attachment Button

10. Attach an organizational depiction (in the format of a flow chart) showing the various executive management, directors and officers and related material functions that require internal control oversight of the Applicant Company, with the name and official title of those responsible for those offices/functions and the portions of the organization they oversee. Material functions should include, but are not limited to, underwriting, claims adjustment/payments, premium accounting, claims accounting, marketing, financial reporting, and investment management. Note any executive or key staff that has access to funds or bank accounts. Submit a map or narrative explaining where offices are/ or will be geographically located and the approximate number of employees at each location.
- A. Designate any common facilities and/or any of the above functions that are shared with affiliates.
- B. Designate any of the above office/functions that are delegated to third parties.
- C. Attach copies of signed agreements for office functions delegated to either affiliates or third parties.
- D. As applicable, attach a separate chart reflecting any other management positions (if different than what was noted above) that exercise control over insurance operations in other jurisdiction where the Applicant Company is seeking admission.
- E. Attach any similar information that was submitted to lenders or investment partners.
- F. Attach a copy of the Applicant Company's investment policy (required for primary and redomestication applications only).
- Attachment Button
11. Provide a detailed description of the Applicant Company's sales techniques. The description attached should include:
- A. Information regarding recruitment and training of sales representatives.
- B. Identification as to whether the Applicant Company will be a direct writer or will use agents, brokers or a combination thereof.
- C. Explanation of the compensation and control to be provided by the Applicant Company to its agents, brokers or sales personnel.
- D. Sample copies of any agreements entered into between the Applicant Company and its agents or brokers.
- E. If the Applicant Company will use a specific agency or managing general agent, identification of the agency or managing general agent and a copy of the agreement for this arrangement.
- F. Sample contract forms of all types used and remuneration schedule, including those for general agents, if any.
- Attachment Button
12. If a parent, subsidiary and/or affiliated insurer is admitted for the classes of insurance requested in the pending application, please differentiate the products and/or markets of the Applicant Company from those of the admitted insurer(s).

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

13. Attach a detailed description of the advertising that will be used by the Applicant Company to market its products in this state. Include a detailed explanation as to how the Applicant Company will develop, purchase, control and supervise its advertising.

**Attachment Button**

14. Attach a detailed explanation of the following:

- A. How the Applicant Company's policies will be underwritten, including the issuance of policies and endorsements,
- B. How policies will be cancelled,
- C. How premiums and other funds will be handled, and
- D. How personnel will be trained, supervised, and compensated.

**Attachment Button**

15. Attach a detailed explanation how the Applicant Company will adjust and pay claims, include the following:

- A. Describe how the Applicant Company will train, supervise and compensate the personnel handling claims adjusting and claims payment.
- B. Provide detailed information as to how and by whom claim reserves will be set and modified.
- C. Will the Applicant Company pay any representative given discretion as to the settlement or adjustment of claims whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?

Yes \_\_\_\_ No \_\_\_\_

**Attachment Button**

16. Is the Applicant Company a member of a group of companies that shares any of the following:

- A. Common facilities with another company or companies

Yes \_\_\_\_ No \_\_\_\_

- B. Services (e.g. accounting personnel for financial statement preparation)

Yes \_\_\_\_ No \_\_\_\_

- C. Or, is a party to a tax allocation agreement in common with another company

Yes \_\_\_\_ No \_\_\_\_

If the answer to any of the above is yes, explain the division of costs between participants. If costs are pro-rated, what is the basis for division? Attach a copy of relevant contracts and include a summary of any attached contract.

**Attachment Button**

17. Will the Applicant Company be party to any reinsurance contracts which contracts that in effect provide that Applicant Company will reimburse or indemnify the Reinsurer for losses payable there under?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details and attach.

**Attachment Button**

18. Does any salaried employee or officer, exclusive of a director, presently have in force a license as an insurance broker issued by this Department of Insurance?

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

Yes \_\_\_\_ No \_\_\_\_

If yes, attach a copy of his/her license and indicate position held with applicant.

[Attachment Button](#)

19. Will any of the Applicant Company's policies being sold in connection with a mutual fund or investment in securities?

Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_

If yes, attach detailed explanation, including all sales literature which refers to the insurance and mutual fund or other investment literature that refers to the insurance and mutual fund or other investment plan connection.

[Attachment Button](#)

21. If the Applicant Company is applying for authority to write Variable Annuities, attach the following:

- A. Copy(ies) of any third-party management or service contracts
- B. Commission schedules
- C. Five-year sales and expense projections
- D. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract
- E. Statement of the investment policy of the separate account
- F. Copy of the variable annuity prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- G. Copies of the variable annuity laws and regulations of the state of domicile
- H. Copy(ies) of the variable annuity contract(s) and application(s)
- I. A description of any investment advisory services contemplated relating to Separate Accounts
- J. Board of Directors resolution authorizing the creation of the separate account

[Attachment Button](#)

22. If the Applicant Company is applying for authority to write Variable Life Insurance, attach the following:

- A. Copy(ies) of variable life policy(ies) the Applicant Company intends to issue
- B. Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the Applicant Company
- C. Disclose whether each investment advisor i) is registered under the Investment Advisers Act of 1940, or ii) is an investment manager under the Employee Retirement Income Security Act of 1974, or iii) whether the Applicant Company will annually file required information and statements concerning each investment advisor as required by its domiciliary state
- D. Copy of the variable life prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- E. Statement of the investment policy of any separate account, and the procedures for changing such policy
- F. Copies of the variable life insurance laws and regulations of the state of domicile

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

- G. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract
- H. Standards of suitability or conduct regarding sales to policyholders
- I. Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)
- J. Board of Directors resolution authorizing the creation of the separate account

[Attachment Button](#)

23. Will the Applicant Company pay, directly or indirectly, any commission to any officer, director, actuary, medical director or any other physician charged with the duty of examining risks or applications?

Yes \_\_\_\_\_ No \_\_\_\_\_ Not Applicable \_\_\_\_\_

If yes, attach the details.

[Attachment Button](#)

# UNIFORM CERTIFICATE OF AUTHORITY APPLICATION

## PRIMARY APPLICATION

The Primary Application to the Uniform Certificate of Authority Application (UCAA) is designed for use in the formation of a new insurer,~~or for an existing insurer to use in making application to redomesticate to another state~~. A Uniform State is one that is committed to using the UCAA review process for company licensing and admissions.

The UCAA Primary Application has ~~four~~three sections designed to guide the Applicant Company through the licensing process:

- I. [Application Review Process](#)
- II. [Filing Requirements \(New Insurers and Redomestications\)](#)
- III. [Filing Requirements \(Redomestications Only\)](#)
- IV. [How to File](#)

The goal of the UCAA is to provide a streamlined approval process. However, some states have [state-specific filing requirements](#) based on statutes or internal procedures. The uniform states are working to eliminate non-essential state-specific requirements. All Applicant Companies must be familiar with the insurance laws of the state to which they submit an application. Please see the [UCAA charts](#) for information related to obtaining a copy of the laws, regulations and bulletins for the state in which an application is filed.

If the Applicant Company has any questions about the uniform admission process, a list of contact information is provided on the [Addresses and Contacts Information for Submission of Application](#) chart. It is highly recommended that the Applicant Company review the [state charts](#), the application instructions and review the [Frequently Asked Questions \(FAQs\)](#) prior to contacting ~~each~~the state with any questions before submitting the application for review.

### **Primary Application Section I**

#### **Application Review Process**

#### **Processing Goal: 90 Days**

It is the goal of each Uniform State to process all Primary Applications within 90 calendar days with receipt of a complete [electronic](#) application. The 90-day review process includes two weeks to determine if the application is complete and acceptable for filing. A completed application includes all required information detailed in the primary application instructions, any state specific requirements and filing fees. During the remaining time-span, the application will receive a financial and operational review. A state may not achieve the 90-day processing goal in instances where the application requires substantial follow-up, or in states with limited resources, or in instances when the Applicant Company files an application during peak business periods such as year-end and annual statement filing periods. Due to varying levels of resources available in each state the review may take longer than 90 days to complete. Anytime the state requests additional information, the state suspends the 90-day goal until it ~~receives~~the requested information [is provided](#).

Based on the circumstances of a particular application, it may be necessary for the reviewing state to request additional information. Typically, a state will request any additional information it needs within 30 days after the state ~~accepts-acknowledges~~ the application. For more detail regarding the review process, refer to the [Company Licensing Best Practices Handbook](#).

### **Proprietary Information**

Both regulators and the Applicant Company might deem confidential any communications with insurance regulatory agencies in conjunction with the Primary Application concerning proprietary information about the Applicant Company. States may only share information determined to be confidential with other persons as authorized by law. By law, the state will not disclose to the public any information determined to be proprietary and trade secret. ~~Each~~  
~~The~~ Applicant Company needs to ~~expressly~~ identify all information, in the application and in any subsequent correspondence, that the Applicant Company considers proprietary or trade secret. [BJ1]

The Applicant Company should review the [state chart information](#), and [FAQs](#) prior to contacting the appropriate state regulators with any questions before filing any electronic application.

### **Step One: Filing An Electronic Application**

The Applicant Company may submit Primary Applications anytime during the year. The state immediately reviews Primary Applications to ensure that the Applicant Company submitted the application in ~~the required format as outlined in these~~accordance with the requirements listed in the instructions.

Generally, within two weeks from the date the state ~~receives-acknowledges~~ the application, the state will notify the Applicant Company whether or not the state has accepted the application as complete for filing. If the state accepts the application for filing, it will ~~assign~~ provide a status date as the ~~an~~ official filing date.

If the state does not accept the application for filing due to a deficiency in the application's ~~format~~, the state will ~~contact~~ notify the Applicant Company. Depending upon the nature of the deficiency, the state may give the Applicant Company two weeks from the ~~date of receipt of notification from the department reviewing the application submission date~~ to correct the deficiency. ~~Some states may return to the Applicant Company any applications that are deficient and not accepted for filing. The state will provide a "closed" status date for any application that is deficient and not accepted for filing.~~

### **Step Two: Application Review**

A Primary Application will undergo a rigorous financial and operational review in the state to which the Applicant Company submitted the application. The purpose of the Primary Application is to streamline application processing and the state will make every effort to process a Primary Application as quickly as possible.

At the conclusion of the substantive review by the reviewing state, the state will grant the Applicant Company a Certificate of Authority as a domestic company, allow the Applicant Company to withdraw

the application, or will deny the application. Notification will be done automatically when the state provides the appropriate status date for approval or denial, respectively

If the application is denied, the state will notify the Applicant Company provide an appropriate status date and provide include a detailed explanation for the denial which will automatically generate an email notification to the Applicant Company. The Applicant Company can also choose to withdraw their application and must include an explanation for withdraw. After the denial, if the Applicant Company wishes to re-file a Primary Application, the state will require a new application and filing fee will need to be submitted.

If the When an application is approved and a Certificate of Authority is granted, the Applicant Company should can complete and submit the electronic Company Code Application form. The form can be submitted via email, fax or mail.

## **Primary Application Section II**

### **Filing Requirements (New Insurers and Redomestications)**

This section provides a guide to understanding the focus of each document requirement of the Primary Application. It is important that applications be complete.

All documents attachments submitted in support of the application must be current. However, in certain instances, some states have limited latitude to accept older documents, although generally no more than five (5) years old. Please contact the states individually if there are questions about a specific document.

All required forms required for the Primary Application are available provided under in the electronic Primary Application tab. The Applicant Company can download these documents for printing and submission. The Primary Application cannot be filed electronically via the NAIC/UCAA portal. It must be file directly with the state of domicile. Please contact the state for instructions on the preferred method/format for filing. State specific forms, if available, will be provided.

### **Table of Contents**

1. [Application Form and Attachments](#)
2. [Filing Fee](#)
3. [Minimum Capital and Surplus Requirements](#)
4. [Statutory Deposit Requirements](#)
5. [Name Approval](#)
6. [Plan of Operation](#)
7. [Holding Company Act Filings](#)
8. [Statutory Membership\(s\)](#)
9. [SEC Filings or Consolidated GAAP Financial Statement](#)
10. [Debt-to-Equity Ratio Statement](#)
11. [Custody Agreements](#)
12. [Public Records Package](#)
13. [NAIC Biographical Affidavits](#)
14. [State-Specific Information](#)

#### **1. Application Form and Attachments**

The application must identify all lines of insurance ([Form 3](#)) the Applicant Company is requesting authority to transact, as identified by the Applicant Company's plan of operation. ~~Only the Applicant Company using this application for a redomestication filing need to complete the section listing the lines of business that the Applicant Company is currently licensed to transact and is transacting in all jurisdictions. Submit a completed The checklist ([Form 1P](#)) is completed automatically when all required information is provided. and original executed The application form ([Form 2P](#)) as Item 1 of the application must be electronically signed and notarized.~~

## 2. Filing Fee

The application must include a filing fee for the state in which an application is being submitted. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees - Primary and Expansion Applications](#) chart. [BJ2] Submit a copy of the Applicant Company's check as Item 2 of the application [checklist](#).

## 3. Minimum Capital and Surplus Requirements

The application must show that the Applicant Company meets the state's statutory minimum capital and surplus requirements. In some states, the minimum capital and surplus requirements are determined by the classes of insurance that the Applicant Company is requesting authority to transact ~~and the classes of insurance the Applicant Company is authorized to transact in all other jurisdictions~~. The state will determine the level of surplus required after considering the Applicant Company's product line, operating record and financial condition. Compliance with the statutorily prescribed minimum surplus requirement may not be sufficient for all applicants. Review the chart that identifies the [Minimum Capital and Surplus Requirements](#) for ~~each the submitted~~ Uniform State. This chart also provides ~~a contact person or a link to a state specific forms or additional information regarding~~ RBC requirements and instructions. [Submit Attach](#) an explanation of the Applicant Company's compliance with the capital and surplus requirements as Item 3 of the application [checklist](#).

## 4. Statutory Deposit Requirements

The domiciliary state may require a statutory deposit. The [Statutory Deposit Requirements](#) chart provides state-specific requirements and identifies those states that require a Statutory Deposit. [Submit Attach](#) as Item 4 of the Application [checklist](#), documentation explaining how the Applicant Company meets or is meeting the statutory deposit requirements. Unless otherwise indicated, the Statutory Deposit is for the benefit of all policyholders.

## 5. Name Approval

Each state has different guidelines and procedures for name approval. The [Name Approval Requirements](#) chart is intended to serve as a guide for the various name approval requirements of each Uniform State. The Applicant Company should check with the state to ensure compliance with all applicable name approval requirements. Where applicable, [submit attach](#) evidence of name approval request as Item 5 of the application [checklist](#).

## 6. Plan of Operation

The plan of operation has three components, a brief narrative, proforma financial statements/projections ([Form 13](#)) and a completed Questionnaire ([Form 8P](#)). The narrative should include significant information not captured as part of the Questionnaire that the Applicant Company ~~submits provides~~ in support of the application, such as the ~~reason for redomestication business plan~~. The proforma is one of the three (3) components in the Plan of Operation. The proforma is available for Life, Property/Casualty, Health and Title companies. [Provide Attach](#) a company-wide, three-year proforma balance sheet and income statement. For the lines requested, provide three-year premium and loss projections by line for the application state. Projections must support all aspects of the proposed plan of operation, including reinsurance

arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

~~The proforma when applied to the primary redomestication application is projected data. The proforma workbook should be the same business type as the financial statement blank filed with the NAIC. As such, the projected amounts need not balance with historical NAIC financial filings. The projected data, however, should be relevant to the Applicant Company's history of growth and losses as contemplated by the NAIC Accounting Practices and Procedures Manual.~~

The proforma should be completed by statutory accounting or financial reporting professionals that should be available to answer any questions or concerns from reviewing regulatory staff. The proforma is completed on an annual basis, typically for a full three-year time period, however, some states may require five years. The proforma should start with the first full year of operation that the Applicant Company anticipates actively writing business in the state(s) receiving the application. The proforma excel workbook is password protected and cannot be modified. When projecting five years, two workbooks will be required. ~~Submit the~~ completed electronic Questionnaire and all supporting attachments ~~as are~~ Item 6 of the application checklist.

## 7. Holding Company Act Filings

If the Applicant Company is a member of a holding company system, the application must include either the most recent Holding Company Act (HCA) filings, including the Annual Form B Registration Statement and related Form F or a statement substantially similar to the NAIC Insurance Holding Company System Regulatory Act (#440). The filing should include all attachments, exhibits and appendices referenced in the HCA filings. ~~Submit-Attach~~ the HCA filings as Item 7 of the application checklist, include all attachments and any amendments up to the application filing date and include copies of all advisory, management and service agreements.

## 8. Statutory Memberships

In some states, the Applicant Company is required to join one or more rating, guarantee or other organizations before transacting insurance. Generally, the Applicant Company's authorized lines of insurance govern statutorily mandated memberships. Review the Statutory Membership Requirements chart prior to contacting the licensure state about any required statutory memberships before transacting insurance. ~~Submit-Attach~~ documentation supporting membership application(s) as indicated, in states where required, or acknowledgment of required memberships as Item 8 of the application checklist.<sup>[BJ3]</sup>

## 9. SEC Filings or Consolidated GAAP Financial Statement

If the Applicant Company, its parent or its ultimate holding company has made a filing or registration with the U.S. Securities and Exchange Commission (SEC) in connection with a public offering within the last three years, or filed an 8K, 10K or 10Q within the last 12 months, the application must note that the filing, including any supplements or amendments, is available electronically from the SEC. If the Applicant Company, its parent or its ultimate holding company is not publicly traded, the application must include-attach a copy of the Applicant Company's most recent Consolidated GAAP financial statement. ~~Submit-Attach~~ the notice of SEC filings or copy of a Consolidated GAAP statement as Item 9 of the application checklist.

**10. Debt-to-Equity Ratio Statement**<sup>[BJ4]</sup>

Members of a holding company system must submit complete debt-to-equity information as Item 10 of the application checklist. The application must include a comprehensive debt-to-equity ratio statement that includes the following information.

- A. Provide the consolidated Consolidated outside debt to consolidated equity ratio on a GAAP basis for the holding company. \*

Debt Duration	Debt Amount (\$)	Debt to Consolidated Equity Ratio
Up to 5 years		
Up to 10 years		
Up to 20 years		

- B. Provide the most recent consolidated holding company financial statement.
- C. State if the holding company, on a consolidated basis, has a tangible net worth: a) for the past three years; b) at present; and c) provide projections with assumptions for a three-year period.
- D. The Applicant Company must clearly substantiate the sources of repayment of any debt, including, but not limited to, whether the source of repayment is independent from the future income of the insurers.
- E. Calculate the debt service (as reported in D above) required of each insurer as a percentage of the Applicant Company's capital and surplus.
- F. List the assets of the holding company, if any, that are pledged to fund the debt service or debt repayment of an affiliate or parent (include the assets or stock of any insurer subsidiaries)
- G. List any guarantees (personal or otherwise) from the shareholders for repayment of the debt.

\*Some states may require re-statement based upon statutory equity.

**11. Custody Agreements**

The Applicant Company should include a statement setting forth whether or not any of the Applicant Company's stocks, bonds, or other physical or book entry securities are in the physical possession of another entity.

If any of the Applicant Company's stocks, bonds or other securities are not in the Applicant Company's actual physical possession or in a safe deposit box under the exclusive control of the Applicant Company (except as shown in the Schedule of Special Deposits in the Applicant Company's Annual Statement), the application must include the written agreement with each entity holding and/or administering these securities. The written agreement should include appropriate safeguards for the handling of the securities, in accordance with those specified in the NAIC *Financial Condition Examiners Handbook* (Handbook).

~~Some states have additional requirements for these custody agreements, beyond those called for in the Handbook. Submit the statement and copies of the custody agreements as Item 11 of the application.~~

## 12. Public Records Package

Most states have requirements to disclose information to the public under a Public Records Act. To meet these public disclosure requirements certain items must ~~accompany be included with~~ the application. While these documents may or may not be part of the substantive review, please be sure to ~~include attach~~ the required documents with the application. The [Public Records Package](#) chart contains requirements for financial and operational filings. ~~An Applicant Company seeking to redomesticate should provide both financial and operational documents for the application state.~~ An Applicant Company that is seeking to form a new insurer should include all documents listed in the operational section of the chart for the application state. [Submit Attach](#) all documents required by the application state as Item 12 of the application [checklist](#).

## 13. NAIC Biographical Affidavit (Biographical Affidavit)

- A. The Applicant Company is required to [submit complete](#) an NAIC Biographical Affidavit ([Form 11](#)) in connection with pending or future application(s) for licensure or a permit to organize with a department of insurance in one or more states. The Applicant Company must submit an NAIC Biographical Affidavit on behalf of all officers, directors and key managerial personnel of the Applicant Company and individuals with a ten percent (10%), or more, beneficial ownership in the Applicant Company and the Applicant Company's ultimate controlling person ("Affiant").
- B. The UCAA defines "Independent Third-Party" as:
  - (i) A consumer reporting agency ("CRA") overseen by the Federal Trade Commission ("FTC") and, therefore, subject to the FCRA, which have been vetted and is currently on the approved list;
  - (ii) Has the ability to perform international background investigations; and
  - (iii) One whose officers and directors have no material affiliation with the Applicant Company other than stock ownership amounting to less than one percent (1%) of total stock outstanding, unless prior approval is given by the department of insurance to which application is being made.
- C. The NAIC Biographical Affidavit requests information with respect to the Affiant's employment history, education, personal information and character. The NAIC Biographical Affidavit also includes the Disclosure and Authorization Concerning Background Reports (the "Disclosure & Authorization Form"). The signature of the Affiant on the Disclosure & Authorization Form permits an Independent Third-Party to conduct an independent third-party verification on the Affiant.
- D. The NAIC Biographical Affidavit includes three types of the Disclosure & Authorization Form. There are three different Disclosure & Authorization Forms since certain state laws, regulations and rules require different kinds of disclosures and wording within such form. An Affiant must sign the corresponding Disclosure & Authorization Form(s) for the

respective state(s) where the Affiant has lived or worked within the last ten (10) years. Refer to the Disclosure & Authorization Forms for further information.

- E. The NAIC Biographical Affidavit is used to evaluate the suitability, competency, character and integrity of the Affiant in connection with an Applicant Company's pending or future application(s) for licensure or a permit to organize with a department of insurance in one or more states.

The Independent Third-Party uses information contained in the NAIC Biographical Affidavit as a tool to perform an independent third-party verification to determine an individual's fitness and propriety. The independent third-party verification may contain information bearing on the Affiant's character, general reputation, personal characteristics, mode of living and credit standing (if required by the state). The Independent Third-Party Vendor shall use the independent third-party verification to create a background report (the "Background Report").

- F. The Disclosure & Authorization Form is valid for a maximum of six months. Additionally, an Affiant may revoke the authorization at any time by delivering a written revocation to the Applicant Company. Refer to the Disclosure & Authorization Form for further information.
- G. The Background Reports are subject to the Fair Credit Reporting Act ("FCRA"). Pursuant to FCRA, the state departments of insurance and an Applicant Company who is seeking admission are "users" of consumer reports. The FCRA requires that the Applicant Company provide the Affiant with a copy of the "Summary of Your Rights Under the Fair Credit Reporting Act." The Applicant Company should provide a copy of the "Summary of Your Rights under the Fair Credit Reporting Act" to each Affiant. This summary can be found at the Federal Trade Commission ("FTC") [website](#). Background Reports are valid for six months from the signature date of the affidavit. Any alteration to the original biographical affidavit or updated signature will require a newly prepared background report.
- H. The Applicant Company and state departments of insurance are required to comply with FCRA, especially as it relates to confidentiality of the information contained in such consumer reports. To the extent required by law, the states and Independent Third-Party Vendors should maintain the Background Reports procured under the Disclosure & Authorization Form as confidential. A copy of the FCRA is located [here](#).
- I. The department of insurance in the state where an Applicant Company files, or intends to file, an application and the Applicant Company may require the Background Report. An Affiant who desires a copy of their Background Report may request a copy from the Applicant Company or the CRA as indicated on the Disclosure & Authorization Form. Refer to the Disclosure & Authorization Form for further information.
- J. Please check state requirements for those states that require additional background information, such as fingerprints, in place of, or in addition to, NAIC Biographical Affidavits. If applying in one of those states, necessary [fingerprints](#) and [processing fees](#) should be included.

Refer to the [list of currently approved Independent Third-Party Vendors for Background Reports](#).

NAIC Biographical Affidavits must be completed on the most current form [[Word](#) | [PDF](#)], in effect at the time the affidavit was signed and the Affiant shall not sign the Affidavits more than six months before the date the Applicant Company files the application. Each question on the biographical affidavit must have a response. If an answer is “None”, then so state. Incomplete biographical affidavits could delay the background investigation report and result in a delay of the application review by the state.

Submit original Biographical Affidavits (Form 11 [[Word](#) | [PDF](#)]) that contain the Disclosure & Authorization Forms to the state department(s) of insurance as Item 13 of the application.

#### **14. State-Specific Information**

Some jurisdictions may have additional requirements before a Certificate of Authority is issued. Before completing a UCAA Primary Application, the Applicant Company should review the list of requirements on the [State-Specific Requirements](#) for the application state. Submit state-specific requirements as Item 14 of the application.

**National Treatment and Coordination (E) Working Group**  
Company Licensing Proposal Form

<b>CONTACT PERSON:</b> <u>Jane Barr</u>	<b>DATE:</b> <u>2/22/2021</u>	<b>FOR NAIC USE ONLY</b>
<b>TELEPHONE:</b> _____	Agenda Item # <u>2021-02</u>	
<b>EMAIL ADDRESS:</b> _____	Year <u>2021</u>	
<b>ON BEHALF OF:</b> <u>Co-Chairs: Debbie Doggett (MO) and Linda Johnson (WY)</u>	<b>DISPOSITION</b>	
<b>TITLE:</b> _____	[ <input type="checkbox"/> ] ADOPTED _____	
<b>AFFILIATION:</b> <u>NTCWG in conjunction with the Domiciliary State Ad Hoc Group</u>	[ <input type="checkbox"/> ] REJECTED _____	
<b>ADDRESS:</b> _____	[ <input type="checkbox"/> ] DEFERRED TO _____	
	[ <input type="checkbox"/> ] REFERRED TO OTHER NAIC GROUP	
	[ <input checked="" type="checkbox"/> ] EXPOSED	<u>5/5/2021</u> _____
	[ <input type="checkbox"/> ] OTHER (SPECIFY) _____	

**IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED**

[X] UCAA Forms [X] UCAA Instructions [ ] Enhancement to the Electronic Application Process  
[ ] Company Licensing Best Practices HB

Forms:

[ X ] Form 1 – Checklist [ X ] Form 2 - Application [ X ] Form 3 – Lines of Business  
[ ] Form 6- Certificate of Compliance [ ] Form 7 – Certificate of Deposit [ X ] Form 8 - Questionnaire  
[ ] Form 8C- Corporate Amendment Questionnaire [ ] Form 11-Biographical Affidavit [ ] Form 12-Uniform Consent to Service of Process [ ] Form 13- ProForma [ ] Form 14- Change of Address/Contact Notification  
[ ] Form 15 – Affidavit of Lost C of A [ ] Form 16 – Voluntary Dissolution [ ] Form 17 – Statement of Withdrawal

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**DESCRIPTION OF CHANGE(S)**

Updated forms and instructions for domestic redomestications applications only. Identified the forms by placing a (R) after each form that was modified for the domiciliary redomestication application.

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**REASON OR JUSTIFICATION FOR CHANGE \*\***

Updated the current hard-copy only option by creating an electronic version of the domiciliary state redomestication application. Removed all references and requirements for a start-up company to create this redomestication only electronic option. Only the forms that were modified are included in this proposal, forms not changed but are required for the application are included/referenced in the application instructions.

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**Additional Staff Comments:**

3/4/21- Proposal exposed for a 45-day comment period ending May 5, 2021.  
5/13/21 NTCWG call, consideration tabled for re-exposure of primary application.

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**\*\* This section must be completed on all forms.**

**Revised 01-2019**

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
Domiciliary Redomestication Application Checklist**

The application checklist is intended to help guide the insurer (herein after referred to as "Applicant Company") with the assembly of a complete PrimaryRedomestication Uniform Certificate of Authority Application (UCAA). ~~Please be sure to complete the checklist by appropriately marking the boxes on the left side of the page prior to submitting the application for review. The completed checklist should be attached to the top of the is automatically completed within the application.~~

**Regulator Use Only**

**1. Application Form, containing:**

Completed UCAA PrimaryRedomestication Application Checklist (Form 1R)

Original UCAA PrimaryRedomestication Application executed and signed (Form 2P2R)

Include all lines of insurance the Applicant Company is licensed to transact, currently transacting, and requesting authority to transact in all the new domiciliary jurisdictions (Form 3).

**2. Filing Fee (pursuant to Section II Filing Requirements Item 2), containing:**

Payment of required filing fee

Copy of check

**3. Minimum Capital and Surplus Requirements (pursuant to Section II Filing Requirements Item 3)**

Provide explanation of compliance with minimum capital & surplus requirements for state for which application is prepared

**4. Statutory Deposit Requirements (pursuant to Section II Filing Requirements Item 4)**

An original Certificate of Deposit prepared by previous state of domicile (Form 7)

**5. Name Approval (pursuant to Section II Filing Requirements Item 5)**

Evidence of name approval request

**6. Plan of Operation (pursuant to Section II Filing Requirements Item 6)**

Completed questionnaire (Form 8R)

Pro Forma

Narrative

**7. Holding Company Act Filings (pursuant to Section II Filing Requirements Item 7)**

Include Holding Company Act Filings, including Form B, Form F or substantially similar Statement

Corporate Governance Annual Disclosure

**8. Statutory Membership(s)**

Submit documentation as listed in Section II Filing Requirements Item 8

**9. SEC Filings or Consolidated GAAP Financial Statement**

Submit documentation as listed in Section II Filing Requirements Item 9

**10. Debt-to-Equity Ratio Statement**

Submit documentation as listed in Section II Filing Requirements Item 10

**11. Custody Agreements**

Submit documentation as listed in Section II Filing Requirements Item 11

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Regulator Use Only**

12. **Public Records Package – Submit ALL items in chart in Section II Item 12, including:** \_\_\_\_\_

a. **Articles of Incorporation, including:**

Original certification by domiciliary state

b. **Bylaws, including:**

Original certification by the Applicant Company's corporate assistant

c. **Statement with attachments, including:[BJ1]**

Current year annual statement\*, verified and signed, including actuarial opinion

Current year quarterly statements (one copy for each quarter), verified and signed

\*1. Updated statements should be submitted on a timely basis while application is pending.

2. If annual statement for two preceding years has not been filed with the NAIC, one copy of each year must be submitted with the application.

[Risk-Based Capital Report](#)

[Report of Examination](#)

d. **Independent CPA Audit Report**

13. **Certificate of Compliance (pursuant to Section III Filing Requirements Item 6)**

[Original certification of compliance \(Form 6\) completed by domiciliary state insurance regulatory agency](#)

143. **NAIC Biographical Affidavit (Form 11) for the following:[BJ2]**

Officers (as listed on Jurat Page of most recent or upcoming financial statement)

Directors (as listed on Jurat Page of most recent or upcoming financial statement)

Key managerial personnel (including heads of risk management, compliance, internal audit or other individuals who will control the operations of the Applicant Company or have binding authority over the Applicant Company)

Any individual (including management not represented of the Jurat Page or not in key managerial positions) with 10% or greater ownership of the Applicant Company and/or the Applicant Company's ultimate controlling entity

Affidavit originally signed and notarized within six months of application date

Affidavit certified by independent third party

154. **State-Specific Information**

Some jurisdictions may have additional requirements that must be met before a Certificate of Authority can be issued. Before completing a UCAA [Primary Redomestication](#) Application, the Applicant Company should review a listing of requirements for the state to which it is applying.

**Filing Requirements – Redomestications Only**

The requirements of this section are only for those Applicant Company's seeking to redomesticate from one state to another and are in addition to the requirements of Section II, items 1-14 of the Primary Checklist. A Redomestication is defined as the process where any insurer organized under the laws of any other state may become a domestic insurer that transfers its domicile to another state by merger or consolidation or any other lawful method. The Primary Application when used for a redomestication is filed with the Applicant Company's new state of domicile.

15. **Annual Statement with Attachments**

[Submit documentation as listed in Section III Filing Requirements Item 1](#)

16. **Quarterly Statements**

[Submit documentation as listed in Section III Filing Requirements Item 2](#)

Revised 03/26/18

FORM 1P1R

17. **Risk-Based Capital Report**



Submit documentation as listed in Section III Filing Requirements Item 3



|

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_

FEIN: \_\_\_\_\_

**Regulator Use Only**

**18. Independent CPA Audit Report**

Submit documentation as listed in Section III Filing Requirements Item 4

**19. Reports of Examination**

Includes a copy of the most recent Report of Financial Examination from its domiciliary state and a note of all more recent examinations, completed by any state, including market conduct examinations along with a description of each examination.

**20. Certificate of Compliance (pursuant to Section III Filing Requirements Item 6)**

Original certification of compliance (Form 6) completed by domiciliary state insurance regulatory agency

**UNIFORM CERTIFICATE OF AUTHORITY APPLICATION (UCAA)**

**Management Information Form**  
**Complete Listing of Incorporators\*, Officers**  
**Directors and Shareholders (10% or more)**

Incorporators\* \_\_\_\_\_ Titles: \_\_\_\_\_ Ownership Percentage: \_\_\_\_\_

Officers: \_\_\_\_\_

Directors: \_\_\_\_\_

Shareholders: \_\_\_\_\_

\* Primary Application Only

Applicant Company Name: \_\_\_\_\_ NAIC Cocode: \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
Redomestication Application**

To the Insurance Commissioner/Director/Superintendent of the State of:  
(Select the appropriate state in which the Applicant Company is applying.)

Drop-down menu with the state list.

The undersigned Applicant Company hereby certifies that the classes of insurance as indicated on the Lines of Insurance, Form 3, are the lines of business which the Applicant Company is (a) currently authorized for transaction, (b) currently transacted and (c) which the Applicant Company is applying to transact.

Applicant Company Name:	NAIC Cocode:	Group Code: (If Applicable)
-------------------------	--------------	-----------------------------

Home Office Address:	
----------------------	--

Administrative Office Address:	
--------------------------------	--

Mailing Address:	
------------------	--

Company Web Address:	
----------------------	--

Are these addresses the same as those shown on the Applicant Company's Annual Statement?

Yes  No

If not, indicate why:

Attachment Button

Phone:	
Fax:	
Date Incorporated:	
Form of Organization:	
Date Organized:	

Country of Domicile:	
----------------------	--

(If Applicable)

	Original	Last Amendment
Date of Charter		
Date of Bylaws		
Date of Subscriber's Agreement		
Date of Last Market Conduct Examination:		
Date of Last Financial Examination:		

Par Value of Issued Stock:	\$
Surplus as regards policyholders:	\$
Certificate of Deposit (Prior State)	

Ultimate Owner/Holding Company:
---------------------------------

Applicant Company Name: \_\_\_\_\_ NAIC Cocode: \_\_\_\_\_  
FEIN: \_\_\_\_\_

Billing Address:		
E-Mail Address:	Phone:	Fax:
Premium Tax Statement Contact and Address:	First Name:	Last Name:
E-Mail Address:	Phone:	Fax:
Producer Licensing Contact and Address:	First Name:	Last Name:
E-Mail Address:	Phone:	Fax:
Rate/Form Filing Contact and Address:	First Name:	Last Name:
E-Mail Address:	Phone:	Fax:
Consumer Affairs Contact and Address:	First Name:	Last Name:
E-Mail Address:	Phone:	Fax:
Regulatory Compliance Contact and Address:	First Name:	Last Name:
E-Mail Address:	Phone:	Fax:

Has the Applicant Company ever been refused admission to this or any other state prior to the date of this application?

Yes  No

If yes, give full explanation in an attached letter.

**Attachment Button**

The Applicant Company hereby designates (name natural persons only) \_\_\_\_\_, to appoint persons and entities to act as and to be licensed as agents in the State of \_\_\_\_\_, and to terminate the said appointments.

NOTE: This does not apply to those states that do not require appointments

The following information is required of the individual who is authorized to represent the Applicant Company before the department.

Name:		
Title:		
Mailing Address:		
E-Mail Address:	Phone: /Fax:	

If the representative is not employed by the Applicant Company, please provide a company contact person in order to facilitate requests for detailed financial information.

Name:		
Title:		
Mailing Address:		
E-Mail Address:	Phone: /Fax:	

Applicant Company Name: \_\_\_\_\_ NAIC Cocode: \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Applicant Company Incorporators' Certification and Attestation**

One of the officers (listed below) of the Applicant Company must read the following very carefully:

1. I hereby certify, under penalty of perjury, that I have read the application, that I am familiar with its contents, and that all of the information, including the attachments, submitted in this application is true and complete. I am aware that submitting false information or omitting pertinent or material information in connection with this application is grounds for license discipline or other administrative action and may subject me or the Applicant Company, or both, to civil or criminal penalties.
2. I acknowledge that I am familiar with the insurance laws and regulations of said state, accept the Constitution of such state, in which the Applicant Company is licensed or to which the Applicant Company is applying for licensure.
3. I acknowledge that I am the \_\_\_\_\_ of the Applicant Company, am authorized to execute and am executing this document on behalf of the Applicant Company.
4. I hereby certify under penalty of perjury under the laws of the applicable jurisdictions that all of the forgoing is true and correct, executed this \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of President

\_\_\_\_\_ Full Legal Name of President

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Secretary

\_\_\_\_\_ Full Legal Name of Secretary

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Treasurer

\_\_\_\_\_ Full Legal Name of Treasurer

\_\_\_\_\_ Electronic Name of Applicant Company

\_\_\_\_\_ Date

\_\_\_\_\_ Electronic Signature of Witness

\_\_\_\_\_ Full Legal Name of Witness

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application (UCAA)  
Lines of Insurance**

Please complete the information below for each state in which the Applicant Company is currently licensed indicating currently authorized, currently transacting and applying for authority to do business. As a result of statutory and regulatory requirements, each state has its own terminology for the lines of insurance. The Lines of Business Matrix was developed to assist the Applicant Company in completing this form. The matrix includes each line of business as it is reported on the NAIC's annual statement blanks and corresponding state statute or regulation. The matrix is [located on the UCAA website under State Charts, incorporated into the Form 3, Lines of Business \(electronic only\)](#).

<b>ALABAMA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (Sec. 27-5-2), Annuities (Sec. 27-5-3)			
Disability (Sec. 27-5-4)			
HMO (Sec. 27-21A-1, 27-21A-2 and 27-21A-3)			
Property (Sec. 27-5-5)			
Miscellaneous Casualty (Sec. 27-5-6, 27-5-7, 27-5-8, 27-5-9)			
Title (Sec. 27-5-10)			

<b>ALASKA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (AS 21.12.040)			
Health (AS 21.12.050)			
Disability (21.12.052)			
Annuities (AS 21.12.055)			
Variable Life (AS 21.42.370)			
Variable Annuities (AS 21.42.370)			
Property (AS 21.12.060)			
<b>Casualty (AS 21.12.070) including clauses:</b>			
(1) Vehicle			
(2) Liability			
(3) Workers' Compensation and Employers Liability			
(4) Burglary and Theft			
(5) Personal Property Floater			
(6) Glass			
(7) Boiler and Machinery			
(8) Leakage and Fire Extinguishing Equipment			
(9) Credit (failure of debtors to pay obligations to insured)			
(10) Malpractice			
(11) Elevator			
(12) Livestock			
(13) Entertainments			
(14) Miscellaneous			
Surety (AS 21.12.080)			
Marine (AS 21.12.090(a))			
Wet Marine and Transportation (AS 21.12.090(b))			
Mortgage Guaranty (AS 21.12.110)			
Title (AS 21.66)			
Fraternal Benefit Society (AS 21.84)			

<b>ARIZONA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Casualty with Workers' Compensation A.R.S. § 20-252			
Casualty without Workers' Compensation A.R.S. § 20-252			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>ARIZONA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Disability A.R.S. § 20-253			
Life (Includes Annuities) A.R.S. § 20-254			
Variable Annuity A.R.S. § 20-2631(2)			
Variable Life A.R.S. § 20-2601(15)			
Marine and Transportation A.R.S. § 20-255			
Mortgage Guaranty A.R.S. § 20-1541			
Prepaid Legal A.R.S. 20-1097			
Property A.R.S. § 20-256			
Surety A.R.S. § 20-257			
Title A.R.S. § 20-1562			
Vehicle A.R.S. § 20-259			
Life & Disability Reinsurer A.R.S. § 20-1082			
Health Care Services Organization A.R.S. § 20-1051			
Health, Medical, Dental, Optometric Service Corporations A.R.S. § 20-824			
Prepaid Dental Plan Organization A.R.S. § 20-1001			
Recognized Surplus Lines A.R.S. §§ 20-407.01 & 20-409			

<b>ARKANSAS</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (ACA 23-62-102)			
Accident & Health (ACA 23-62-103)			
Property (ACA 23-62-104)			
Casualty (ACA 23-62-105)			
Surety (ACA 23-62-106)			
Workers' Compensation (ACA 23-62-105)			
Marine (ACA 23-62-107)			
Title (ACA 23-62-108)			
Mortgage Guaranty (ACA 23-62-110)			
Health Maintenance Organization (23-76-102)			

<b>CALIFORNIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (CIC 101)			
Fire (CIC 102)			
Marine (CIC 103)			
Title (CIC 104)			
Surety (CIC 105)			
Disability (CIC 106)			
Plate Glass (CIC 107)			
Liability (CIC 108)			
Workers' Compensation (CIC 109)			
Common Carrier Liability (CIC 110)			
Boiler and Machinery (CIC 111)			
Burglary (CIC 112)			
Credit (CIC 113)			
Sprinkler (CIC 114)			
Team and Vehicle (CIC 115)			
Automobile (CIC 116)			
Aircraft (CIC 118)			
Mortgage Guaranty (CIC 119)			
Insolvency (119.5)			

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

CALIFORNIA (continued)	Authorized to Transact	Currently Transacting	Applying for
Legal (CIC 119.6)			
Miscellaneous (CIC 120)			
Financial Guaranty (CIC 124)			

COLORADO	Authorized to Transact	Currently Transacting	Applying for
<b>Life (10-3-102(1)(b))</b>			
General Life			
Accident and Health			
Annuities			
Credit			
Variable Contracts			
<b>Fraternal Benefit Society (10-14-603)</b>			
General Life			
Accident and Health			
Annuities			
Variable Contracts			
<b>Title (Title 10, Article 11)</b>			
Title			
<b>Property and Casualty (Title 10, Article 3, Sections 102(1)(a), (c) and (d) or (Title 10, Articles 12 or 13)</b>			
General Property			
Crop			
Motor Vehicle			
General Casualty			
Accident and Health			
Fidelity and Surety (excluding bail bond)			
Bail Bond			
Workers' Compensation			
Mortgage Guaranty			
Credit			
Professional Malpractice			

CONNECTICUT	Authorized to Transact	Currently Transacting	Applying for
<b>(C.G.S. Title 38a)</b>			
Fire, Extended Coverage and Other Allied Lines			
Homeowners Multiple Peril			
Commercial Multiple Peril			
Earthquake			
Growing Crops			
Ocean Marine			
Inland Marine			
Accident and Health			
Workers' Compensation			
Liability other than Auto (B.I. and P.D.)			
Auto Liability (B.I. and P.D.)			
Auto Physical Damage			
Aircraft (all perils)			
Fidelity and Surety			
Financial Guaranty (mono-line)			
Glass			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>CONNECTICUT (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Burglary and Theft			
Boiler and Machinery			
Credit			
Reinsurance			
Life Non-Participating			
Life Participating			
Variable Life Non-Participating			
Variable Life Participating			
Variable Annuities			
Title			
Fraternal Benefit Societies			
Health Care Center			
Credit Life			
Credit Accident and Health			
Mortgage Guaranty (monoline)			
Residual Value			

<b>DELAWARE</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life [18 Del. C. Section 902]			
Variable Annuities [Del. Reg 1]			
Variable Life [Del. Reg 44]			
Credit Life [18 Del. C. Section 902]			
Credit Health [18 Del. C. Section 903]			
Health [18 Del. C. Section 903]			
Property [18 Del. C. Section 904]			
Surety [18 Del. C. Section 905]			
<b>Casualty [18 Del. C. Section 906(a)], including subdivisions:</b>			
(1) Vehicle			
(2) Liability			
(3) Workers' Compensation & Employer's Liability			
(4) Burglary & Theft			
(5) Personal Property Floater			
(6) Glass			
(7) Boiler & Machinery			
(8) Leakage & Fire Extinguisher Equipment			
(9) Credit			
(10) Malpractice			
(11) Elevator			
(12) Congenital Defects			
(13) Livestock			
(14) Entertainments			
(15) Miscellaneous			
Marine & Transportation [18 Del. C. Section 907]			
Title [18 Del. C. Section 908]			

Presently, lines listed above for casualty are checked off as individual lines on the certificate of authority application form.  
 18 Del. C. Section 906(b) – Provision of medical, hospital, surgical and funeral benefits, and of coverage against accidental death or injury, as incidental to and part of other insurance as stated under subdivisions (1) vehicle, (2) liability, (4) burglary and theft, (7) boiler and machinery, (10) malpractice and (11) elevator of subsection (a) shall for all purposes be deemed to be the same kind of insurance to which it is so incidental and shall not be subject to provisions of this title applicable to life and health insurance.

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>DISTRICT OF COLUMBIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Health Maintenance Organizations (Sec. 31 – Chapter 34)			
Life and Health			
Individual Life			
Group Life			
Variable Life (26 DCMR Chapter 27)			
Individual Accident and Health			
Group Accident and Health			
Individual Annuities (Fixed and Variable) (Sec. 31-4442)			
Group Annuities (Fixed and Variable) (Sec. 31-4442)			
Fire and Casualty			
(1) Fire (Sec. 31-2502.11)			
(2.1) Allied Lines (Sec. 31-2502.11)			
(2.2) Multiple Peril Crop			
(2.3) Federal Flood			
(2.4) Private Crop (Sec. 31-2502.11)			
(2.5) Private Flood (Sec. 31-2502.11)			
(3) Farmowners Multiple Peril (Sec. 31-2502.11)			
(4) Homeowners Multiple Peril (Sec. 31-2502.11)			
(5.1) Commercial Multiple Peril (non-liability) (Sec. 31-2502.11)			
(5.2) Commercial Multiple Peril (liability) (Sec. 31-2502.11)			
(6) Mortgage Guaranty			
(8) Ocean Marine (Sec. 31-2502.11)			
(9) Inland Marine (Sec. 31-2502.11)			
(10) Financial Guaranty			
(11) Medical Malpractice (Sec. 31-2502.11)			
(12) Earthquake (Sec. 31-2502.11)			
(13) Group Accident & Health (Sec. 31-2502.11)			
(14) Credit A&H (Group & Individual) (Sec. 31-2502.11)			
(15.1) Collectively Renewable A&H (Sec. 31-2502.11)			
(15.2) Non-cancelable A&H (Sec. 31-2502.11)			
(15.3) Guaranteed Renewable A&H (Sec. 31-2502.11)			
(15.4) Non-Renewable for Stated Reasons Only (Sec. 31-2502.11)			
(15.5) Other Accident Only (Sec. 31-2502.11)			
(15.7) All Other A&H (Sec. 31-2502.11)			
(15.8) Federal Employees Health Benefits Program			
(16) Workers' Compensation (Sec. 31-2502.11)			
(17.1) Other Liability – occurrence (Sec. 31-2502.11)			
(17.2) Other Liability – claims made (Sec. 31-2502.11)			
(18) Products Liability (Sec. 31-2502.11)			
(19.1) Private Passenger Auto No-Fault (personal injury protection) (Sec. 31-2502.11)			
(19.2) Other Private Passenger Auto Liability (Sec. 31-2502.11)			
(19.3) Commercial Auto No-Fault (personal injury protection) (Sec. 31-2502.11)			
(19.4) Other Commercial Auto Liability (Sec. 31-2502.11)			
(20) Glass (Sec. 31-2502.11)			
(21.1) Private Passenger Auto Physical Damage (Sec. 31-2502.11)			
(21.2) Commercial Auto Physical Damage (Sec. 31-2502.11)			

Revised 09/25/2020

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Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>DISTRICT OF COLUMBIA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(22) Aircraft (all perils) (Sec. 31-2502.11)			
(23) Fidelity (Sec. 31-2502.11)			
(24) Surety (Sec. 31-2502.11)			
(26) Burglary and Theft (Sec. 31-2502.11)			
(27) Boiler and Machinery (Sec. 31-2502.11)			
(28) Credit (Sec. 31-2602.03, 31-2502.11)			
Title [Sec. 31-2602.03 (a)(7)]			

<b>FLORIDA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Property &amp; Casualty Insurers</b>			
0010 Fire			
0020 Allied Lines			
0030 Farmowners Multi Peril			
0040 Homeowners Multi Peril			
0050 Commercial Multi Peril			
0080 Ocean Marine			
0090 Inland Marine			
0100 Financial Guaranty			
* 0106 Auto Warranties			
0110 Medical Malpractice			
0120 Earthquake			
0160 Workers' Compensation			
0170 Other Liability			
* 0173 Prepaid Legal			
0192 Private Passenger Auto Liability			
0194 Commercial Auto Liability			
0211 Private Passenger Auto Physical Damage			
0212 Commercial Auto Physical Damage			
0220 Aircraft			
0230 Fidelity			
0240 Surety			
* 0245 Bail Bonds			
0250 Glass			
0260 Burglary and Theft			
0270 Boiler and Machinery			
0280 Credit			
* 0285 Title (Title Companies Only)			
* 0290 Livestock			
0300 Industrial Fire			
* 0310 Mortgage Guaranty			
0441 Credit Disability			
* 0450 Accident and Health			
* 0520 Industrial Extended Coverage			
* 0540 Mobile Home Multi Peril			
* 0550 Mobile Home Physical Damage			
* 0570 Crop Hail			
* 0607 Home Warranties			
* 0608 Service Warranties			
* 0610 Other Warranty			
* 0620 Miscellaneous Casualty			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>FLORIDA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Property &amp; Casualty Insurers (Reinsurance Only)</b>			
R010 Fire			
R020 Allied Lines			
R030 Farmowners Multi Peril			
R040 Homeowners Multi Peril			
R050 Commercial Multi Peril			
R080 Ocean Marine			
R090 Inland Marine			
R100 Financial Guaranty			
* R106 Auto Warranties			
R110 Medical Malpractice			
R120 Earthquake			
R160 Workers' Compensation			
R170 Other Liability			
* R173 Prepaid Legal			
R192 Private Passenger Auto Liability			
R194 Commercial Auto Liability			
R211 Private Passenger Auto Physical Damage			
R212 Commercial Auto Physical Damage			
R220 Aircraft			
R230 Fidelity			
R240 Surety			
* R245 Bail Bonds			
R250 Glass			
R260 Burglary and Theft			
R270 Boiler and Machinery			
R280 Credit			
* R285 Title (Title Companies Only)			
* R290 Livestock			
R300 Industrial Fire			
* R310 Mortgage Guaranty			
R441 Credit Disability			
* R450 Accident and Health			
* R520 Industrial Extended Coverage			
* R540 Mobile Home Multi Peril			
* R550 Mobile Home Physical Damage			
* R570 Crop Hail			
* R607 Home Warranties			
* R608 Service Warranties			
* R610 Other Warranty			
* R620 Miscellaneous Casualty			
<b>Life, Accident and Health Insurers</b>			
0400 Ordinary Life			
Endowment			
Term Life			
Industrial Life			
Individual Annuities			
Universal Life			
0405 Individual Variable Annuities			
Group Variable Annuities			
0410 Group Life and Annuities			
0420 Variable Life			

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>FLORIDA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
0425 Fraternal Life			
0430 Fraternal Health			
0440 Credit Life			
0441 Credit Disability			
0450 Accident and Health			
R400 Reinsurance - Ordinary Life and Annuity			
R405 Reinsurance - Individual/Group Variable Annuities			
R410 Reinsurance - Group Life and Annuity			
R420 Reinsurance - Variable Life			
R440 Reinsurance - Credit Life			
R441 Reinsurance - Credit Disability			
R450 Reinsurance - Accident and Health			

\* For purposes of applicant's plan of operations, these lines should be listed as "all other lines." If any are combined with other lines on the proforma (i.e. mobile home combined with homeowners), the plan of operations should specify that this was done.

<b>GEORGIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life, accident, and sickness [O.C.G.A. § 33-3-5(1)]			
Including Variable Annuities [O.C.G.A. § 33-11-66]			
Including Variable Life [O.C.G.A. § 33-11-65]			
Property, marine, and transportation [O.C.G.A. § 33-3-5(2)]			
Casualty [O.C.G.A. § 33-3-5(3)]			
Including Workers' Compensation [O.C.G.A. § 33-7-3]			
Excluding Workers' Compensation [O.C.G.A. § 33-7-3]			
Surety [O.C.G.A. § 33-3-5(4)]			
Title [O.C.G.A. § 33-3-5(5)]			
Health Maintenance Organization [O.C.G.A. § 33-3-5(6) and § 33-21-1 <i>et seq.</i> ]			

<b>HAWAII</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life Insurance (HRS 431:1-204)			
Including Variable Life and Variable Annuity			
Excluding Variable Life and Variable Annuity			
Accident and Health Insurance (HRS 431:1-205)			
Property Insurance (HRS 431:1-206)*			
Including Residential Hurricane (HRS 431:3-306.5)			
Excluding Residential Hurricane			
Marine and Transportation Insurance (HRS 431:1-207)			
Including Ocean Marine (HRS 431:1-211)			
Excluding Ocean Marine			
Vehicle Insurance (HRS 431:1-208)**			
General Casualty Insurance (HRS 431:1-209)* *			
Surety Insurance (HRS 431:1-210)			
Title Insurance (HRS 431:20-102)			

\* (1) Concurrently licensed in General Casualty is required; (2) Residential hurricane carrier must also meet the requirements specified in Section 431:3-306.5; information required by this Section needs to be included in the application package. Failure to comply with the Section shall cause exclusion of the residential hurricane coverage.

\*\* Local Claims and Sales Office(s) and membership of Hawaii Joint Underwriting Plan are required for all insurers authorized to write *and engage* in writing vehicle insurance.

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>IDAHO</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life - 41-502			
Disability (Including/Excluding Managed Care) - 41-503			
Variable Annuities/Contracts – 41-502, 41-1938			
Property - 41-504			
Marine and Transportation - 41-505			
Casualty - Including Workers' Compensation - 41-506			
Casualty - Excluding Workers' Compensation - 41-506			
Surety (Including Fidelity) - 41-507			
<b>Monoline only:</b>			
Title - 41-508			
Mortgage Guaranty - 41-2652			

<b>ILLINOIS</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Class 1 Life, Accident and Health*</b>			
(a) Life			
(b) Accident and Health			
(c) Legal Expense Insurance			
<b>Class 2 Casualty, Fidelity and Surety*</b>			
(a) Accident and Health			
(b) Vehicle			
(c) Liability			
(d) Workers' Compensation			
(e) Burglary and Forgery			
(f) Glass			
(g) Fidelity and Surety			
(h) Miscellaneous			
(i) Other Casualty Risks			
(j) Contingent Losses			
(k) Livestock and Domestic Animals			
(l) Legal Expense Insurance			
<b>Class 3 Fire and Marine, etc.*</b>			
(a) Fire			
(b) Elements			
(c) War, Riot and Explosion			
(d) Marine and Transportation			
(e) Vehicle			
(f) Property Damage, Sprinkler Leakage and Crop			
(g) Other Fire and Marine Risks			
(h) Contingent Losses			
(i) Legal Expense Insurance			
<b>Fraternal Benefit Society</b>			
Fraternal Benefit Society [215 ILCS 5/282.1 et seq.]			
<b>Health Maintenance Organization</b>			
Health Maintenance Organization (HMO) [215 ILCS 125/1-1 et seq.]			
<b>Limited Health Service Organization</b>			
Limited Health Service Organization (LHSO) [215 ILCS 130/1001 et seq.]			

\* See 215/IL5/4 for additional description

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>INDIANA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Class I (Life)</b>			
(a) Life and Annuities			
(b) Accident & Health			
(c) Variable Life and Annuities (Segregated Amounts)			
<b>Class II (Casualty)</b>			
(a) Accident and Health - Disability			
(b) Workers' Compensation			
(c) Burglary, Theft			
(d) Glass			
(e) Boiler and Machinery			
(f) Automobile			
(g) Sprinkler			
(h) Liability			
(i) Credit			
(j) Title			
(k) Fidelity & Surety w/Bailbonds			
(kt) Fidelity & Surety w/o Bailbonds			
(l) Miscellaneous			
(m) Legal Expenses			
<b>Class III (Property)</b>			
(a) Fire, Windstorm, Hail, Loot, Riot			
(b) Crops			
(c) Sprinkler			
(d) Marine			

<b>IOWA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Property/Casualty Lines (515.48)</b>			
Fire			
Extended Coverage			
Other Allied Lines			
Homeowners Multiple Peril			
Commercial Multiple Peril			
Earthquake			
Growing Crops			
Ocean Marine			
Inland Marine			
Accident and Health			
Workers' Compensation			
Other Liability			
Auto Liability			
Auto Physical Damage			
Aircraft			
Fidelity and Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Reinsurance Only (monoline)			
Financial Guaranty (monoline)			
Life (508, 509, 511) – Life Only			
Life (508, 509, 511 and 515) credit & variable life, annuities and variable annuities and A&H			
Reciprocal (520)			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

Iowa (continued)	Authorized to Transact	Currently Transacting	Applying for
Mortgage Guaranty (515C)			
Fraternal (512B)			

\*Life includes credit life, variable life, annuities, and variable annuities.

KANSAS	Authorized to Transact	Currently Transacting	Applying for
Life (Includes Annuity and Variable Contracts)			
Accident and Health			
Stand-Alone Prescription Drug Provider			
<b>Fire Insurance</b>			
Fire			
Windstorm & Hail			
Extended Coverage			
Add'l. Perils on Growing Crops			
Hail on Growing Crops			
Optional Perils			
Sprinkler Leakage			
Business Interruption			
Earthquake			
Water Damage			
Aircraft Hull			
Ocean Marine			
Inland Marine			
Rain			
Automobile Physical Damage			
Flood			
Homeowners Policies			
<b>Casualty Insurance</b>			
Accident and Health			
Automobile Liability			
General Liability			
Workers' Compensation			
Fidelity, Surety & Forgery Bonds			
Glass			
Burglary, Theft & Robbery			
Boiler & Machinery			
Credit			
Title			
Malpractice Liability			
Livestock Mortality			
Aircraft Liability			
Cargo Liability			
Cost of Legal Services			
Mortgage Guaranty Insurance			

KENTUCKY	Authorized to Transact	Currently Transacting	Applying for
<b>Life And Health Companies</b>			
Life (includes variable & credit) KRS 304.5-020			
Annuity (includes variable) KRS 304.5-030			
Health (includes credit) KRS 304.5-040			
<b>Property And Casualty Companies</b>			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>KENTUCKY (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Health (includes credit) KRS 304.5-040			
Property KRS 304.5-050			
Surety KRS 304.5-060			
Casualty All Lines KRS 304.5-070 (1)(a) thru (1)(q)			
<b>Or, Casualty Limited to:</b>			
Vehicle Insurance KRS 304.5-070(1)(a)			
Liability Insurance KRS 304.5-070(1)(b)			
Workers' Compensation and Employers Liability KRS 304.5-070(1)(c)			
Burglary and Theft KRS 304.5-070(1)(d)			
Personal Property Floater KRS 304.5-070(1)(e)			
Glass KRS 304.5-070(1)(f)			
Boiler and Machinery KRS 304.5-070(1)(g)			
Leakage and Fire Extinguishing Equipment KRS 304.5-070(1)(h)			
Credit KRS 304.5-070(1)(i)			
Malpractice KRS 304.5-070(1)(j)			
Elevator KRS 304.5-070(1)(k)			
Congenital Defects KRS 304.5-070(1)(l)			
Livestock KRS 304.5-070(1)(m)			
Entertainments KRS 304.5-070(1)(n)			
Failure of Certain Institutions to Record Documents KRS 304.5-070(o)			
Automobile Guaranty KRS 304.5-070(1)(p)			
Miscellaneous KRS 304.5-070(1)(q)			
Marine and Transportation KRS 304.5-080			
Mortgage Guaranty KRS 304.5-100			
Title KRS 304.5-090			
<b>All Others Companies:</b>			
<b>Fraternal Benefit Society KRS 304.29-011</b>			
Life			
Health			
Lloyd's KRS 304.28-010			
Non-Profit Health Service Corporation KRS 304.32-030			
Reciprocal KRS 304.27-010			

<b>LOUISIANA*</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life			
Annuities			
Health and Accident			
Vehicle			
Liability			
Workers' Compensation			
Fire and Allied Lines			
Industrial Fire			
Fidelity			
Surety			
Credit Life, Health and Accident			
Credit Property and Casualty			
Marine and Transportation			
Miscellaneous			
Steam Boiler and Sprinkler Leakage			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>LOUISIANA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Title			
Burglary and Forgery			
Crop			
Homeowners			

\*All lines of business are as defined in Louisiana Revised Statutes 22:47.

<b>MAINE</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Life and Health</b>			
Life, including Credit Life and Annuities			
Health, including Credit Health			
Variable Life			
Variable Annuity			
<b>Property &amp; Casualty</b>			
Fire			
Allied Lines			
Farmowners Multiple Peril			
Homeowners Multiple Peril			
Commercial Multiple Peril			
Mortgage Guaranty			
Ocean Marine			
Inland Marine			
Financial Guaranty			
Workers' Compensation			
Medical Professional Liability			
Earthquake			
Other Liability			
Product Liability			
Auto Liability			
Auto Physical Damage			
Aircraft (all perils)			
Fidelity			
Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Credit			
Federal Flood Insurance			
Title			

<b>MARYLAND</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b><i>Insurance Article of the Annotated Code of Maryland:</i></b>			
Variable Annuities – Section 1-101(d)(e), 16-601, 16-602			
Casualty (not including Vehicle Liability, Mortgage Guaranty & Workers' Compensation) – Section 1-101(i)			
Dental Plan Organization – Section 14-401			
Fraternal – 8-424			
Mortgage Guaranty – Sections 1-101(oo)			
Health – Sections 1-101(p)			
Life, including Annuities and Health (except Variable Life & Variable Annuities) Sections 1-101(d), 1-101(p), 1-101(x)			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

MARYLAND (continued)	Authorized to Transact	Currently Transacting	Applying for
Marine, Wet Marine & Transportation – Sections 1-101(z), 1-101(ss)			
Non-Profit Health Service Plan – Section 14-110			
Property and Marine (excluding Wet Marine and Transportation) – Section 1-101(gg), 1-101(z)			
Variable Life – Sections 16-601, 16-602			
Surety – Section 1-101(oo)			
Title – Section 1-101(qq)			
Vehicle Liability – Section 1-101(i)			
Workers' Compensation – Section 1-101(i)			
<b><i>Health-General Article of the Annotated Code of Maryland:</i></b>			
Health Maintenance Organizations – Sections 19-708, 19-709, 19-710			
Provider-Sponsored Organizations – Section 19-7A			

MASSACHUSETTS	Authorized to Transact	Currently Transacting	Applying for
<b>(M.G.L. 175 § 47)</b>			
(1) Fire			
(2A) Ocean Marine			
(2B) Inland Marine Only			
(4) Fidelity and Surety			
(5A) Boiler, Fly Wheel, Machinery, Explosion			
(5B) Boiler (no inspector), Fly Wheel, Machinery, Explosion			
(6A) Accident - All Kinds			
(6B) Health - All Kinds			
(6C) Group Accident and Health Only			
(6D) Non-Cancelable Accident and Health Only			
(6E) Workers' Compensation			
(6F) Liability Other than Auto			
(6G) Auto Liability			
(7) Glass			
(8) Water Damage and Sprinkler Leakage			
(9) Elevator Property Damage and Collision			
(10) Credit			
(11) Title (Title Companies Only)			
(12) Burglary, Robbery, Theft, Forgery, Larceny			
(13) Livestock			
(15) Reinsurance			
(16A) Life - All Kinds			
(16B) Group Life Only			
(16C) Variable Annuity Authorization			
(16D) Annuities Only			
(16E) Variable Life Authorization			
(17) Repair - Replacement			
(19) Legal Services			
(20) Credit Involuntary Unemployment			
(51) Stock Companies Extension of Coverage- M.G.L. 175 §51(g)			
(54) Mutual Companies (specified in Section 47) - M.G.L. 175 § 54(g)			

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Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
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<b>MASSACHUSETTS (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(54BX) Reinsurance except Life - M.G.L. 175 § 54B			
(54BY) Nuclear Energy - M.G.L. 175 § 54B			
(54BZ) Special Hazards - Radioactive Contamination - M.G.L. 175 § 54B			
(54C) Comprehensive Motor Vehicle and Aircraft - M.G.L. 175 § 54C			
(54D) Personal Property Floater - M.G.L. 175 § 54D			
(54E) Dwellings - M.G.L. 175 § 54E			
(54F) Commercial Property (Multiple Peril) - M.G.L. 175 § 54F			
(54G) Reinsurance - Life Companies Only - M.G.L. 175 § 54G			

<b>MICHIGAN</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life and Annuity - Other than Variable Contracts (MCL 500.602)			
Separate Account - Variable Annuities (MCL 500.925)			
Separate Account - Variable Life (MCL 500.925)			
Separate Accounts - Modified Guaranteed Annuities (MCL 500.4101)			
Disability (MCL 500.606)			
Property (MCL 500.610)			
Ocean Marine (MCL 500.614)			
Inland Marine (MCL 500.616)			
Automobile Insurance - Limited (MCL 500.620)			
Legal Expense (MCL 500.618)			
Casualty-Steam Boiler, Flywheel and Machinery (MCL 500.624(1)a)			
Casualty-Liability (MCL 500.624(1)b)			
Casualty-Automobile, including Section 500.625, disability coverage supplemental to automobile insurance (MCL 500.624(1)b)			
Casualty-Workers' Compensation (MCL 500.624(1)b)			
Casualty-Plate Glass (MCL 500.624(1)c)			
Casualty-Sprinkler and Water Damage (MCL 500.624(1)d)			
Casualty-Credit (MCL 500.624(1)e)			
Casualty-Burglary and Theft (MCL 500.624(1)f)			
Casualty-Livestock (MCL 500.624(1)g)			
Casualty-Malpractice (MCL 500.624(1)h)			
Casualty-Miscellaneous (MCL 500.624(1)i)			
Surety and Fidelity (MCL 500.628)			
Limited Liability (MCL 500 Chapter 65)			
Title (MCL 500 Chapter 73)			
Fraternal (MCL 500 Chapter 81a)			

<b>MINNESOTA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(MS 60A.06, Subd.1)</b>			
Fire (1)			
Inland Marine (2a)			
Ocean Marine (2a)			
Personal Property Floater (2b)			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>MINNESOTA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Boiler and Machinery (3)			
Life (4)			
Variable Contract Authority (4)			
Accident and Health (5a)			
Workers' Compensation (5b)			
Fidelity (6)			
Surety (6)			
Title (7)			
Glass (8)			
Burglary & Theft (9a)			
Security and Drafts (9b)			
Personal Property Floater - Casualty (9c)			
Water (9d)			
Livestock (10)			
Credit (11)			
Automobile (12)			
General Liability (13)			
Elevator (14)			
Legal Expense (15)			

<b>MISSISSIPPI</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(MCA 83-19-1 Classifications of Insurance Companies)</b>			
<b>Class 1. Fire and Casualty</b>			
(a) Fire and Allied Lines			
(b) Industrial Fire			
(c) Casualty/Liability			
(d) Fidelity			
(e) Surety			
(f) Workers' Compensation			
(g) Boiler and Machinery			
(h) Plate Glass			
(i) Aircraft			
(j) Inland Marine			
(k) Ocean Marine			
(l) Automobile Physical Damage/Automobile Liability			
(m) Homeowners/Farmowners			
(n) Guaranty			
(o) Mortgage Guaranty			
(p) Title			
(q) Trip Accident and Baggage			
(r) Legal			
(s) Credit Property			
<b>Class 2. Life</b>			
(a) Life			
(b) Accident and Health			
(c) Credit Life, Credit Accident and Health			
(d) Industrial Life, Industrial Accident and Health			
(e) Variable Contracts			
(f) Life (Burial)			
<b>Class 3. Fraternal</b>			
(a) Fraternal			
(b) Larger Fraternal			

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FEIN: \_\_\_\_\_

<b>MISSISSIPPI (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Class 4. Burial</b>			
(MCA 83-41-303) Health Maintenance Organization			

<b>MISSOURI</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>A – Life and Health (RSMo 376)</b>			
A1 – Life, Annuities and Endowments (376.010)			
A2 – Accident and Health (376.010)			
A3 – Variable contracts (376.309, RSMo)			
H – Title (RSMo 381)			
<b>B – Property and Casualty (RSMo 379)</b>			
B1 – Property (379.010.1(1))			
B2 – Liability (379.010.1(2)) (Includes Workers' Compensation)			
B3 – Fidelity and Surety (379.010.1(3))			
B4 – Accident and Health (379.010.1(4))			
B5 – Miscellaneous (379.010.1(5))			
Health Maintenance Organization (354.400)			
Prepaid Dental Plan (354.700)			
Fraternal Benefit (378) RSMo			
Other			

<b>MONTANA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (including variable contract authority) § 33-1-208 and 33-20-605, MCA			
Life (excluding variable contract authority) § 33-1-208, MCA			
Disability §33-1-207, MCA			
Property §33-1-210, MCA			
Casualty (including Workers' Comp) §33-1-206, MCA			
Casualty (excluding Workers' Comp) §33-1-206, MCA			
Surety §33-1-211, MCA			
Marine §33-1-209, MCA			
Title §33-1-212, MCA			

<b>NEBRASKA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (1)			
Variable Life (2)			
Variable Annuities (3)			
Sickness & Accident (4)			
Property (5)			
Credit Property (6)			
Glass (7)			
Burglary & Theft (8)			
Boiler & Machinery (9)			
Liability (10)			
Workers' Compensation & Employers Liability (11)			
Vehicle (12)			
Fidelity (13)			
Surety (14)			
Title (15)			

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<b>NEBRASKA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Credit (16)			
Mortgage Guaranty (17)			
Marine (18)			
Financial Guaranty (19)			
Miscellaneous (20)			

<b>NEVADA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (681A.040)			
Health (681A.030)			
Property (681A.060)			
Casualty (681A.020) (Including Workers' Comp)			
Casualty (681A.020) (Excluding Workers' Comp)			
Surety (681A.070)			
Marine and Transportation (681A.050)			
Title (681A.080)			
Surplus Lines (685A)			
Risk Retention Group (695E)			
Funeral/Cemetery Sellers (689)			
Premium Finance Company (686A)			
Motor Clubs (696A)			
Health Maintenance Organization (695C)			
Prepaid Ltd. Health Service Organization (695F)			
Variable (688A)			
Home Protection (690B.100)			

<b>NEW HAMPSHIRE</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Fire and Allied Lines (RSA 401.1, I)			
Marine Coverages (RSA 401.1, II)			
Life and Annuities (RSA 401.1, III)			
Variable Annuities Require a Separate License (RSA 401.1, III)			
Accident and/or Health Coverages (401.1, IV)			
<u>Health Maintenance Organization (RSA 402-B)</u>			
Liability/Casualty Coverages, Including Workers' Compensation (RSA 401.1, V)			
Casualty Coverages (RSA 401.1, VI)			
Fidelity, Surety, Credit Insurance, Mortgage Guaranty, Bonds, and Financial Guaranty (RSA 401.1, VII)			
Other Casualty Risks. Insurance against any other casualty risk not otherwise specified under paragraph V. (RSA 401.1, VIII)			
Title (RSA 416-A)			
Fraternal (RSA 418:16)			

<b>NEW JERSEY</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(1) Fire (N.J.S.A. 17:17-1a)			
(2) Earthquake (N.J.S.A. 17:17-1a)			
(3) Growing Crops (N.J.S.A. 17:17-1a)			
(4) Ocean Marine (N.J.S.A. 17:17-1b)			
(5) Inland Marine (N.J.S.A. 17:17-1b)			

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NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>NEW JERSEY (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(6) Workers' Compensation and Employers Liability (N.J.S.A. 17:17-1e)			
(7) Automobile Liability (BI) (N.J.S.A. 17:17-1e)			
(8) Automobile Liability (PD) (N.J.S.A. 17:17-1e)			
(9) Automobile Physical Damage (N.J.S.A. 17:17-1e)			
(10) Aircraft Physical Damage (N.J.S.A. 17:17-1b)			
(11) Other Liability (N.J.S.A. 17:17-1e)			
(12) Boiler & Machinery (N.J.S.A. 17:17-1f)			
(13) Fidelity & Surety (N.J.S.A. 17:17-1g)			
(14) Credit (N.J.S.A. 17:17-1i)			
(15) Burglary & Theft (N.J.S.A. 17:17-1j)			
(16) Glass (N.J.S.A. 17:17-1k)			
(17) Sprinkler Leakage (N.J.S.A. 17:17-1l)			
(18) Livestock (N.J.S.A. 17:17-1m)			
(19) Smoke & Smudge (N.J.S.A. 17:17-1n)			
(20) Physical Loss to Buildings (N.J.S.A. 17:17-1o)			
(21) Radioactive Contamination (N.J.S.A. 17:17-1o)			
(22) Mechanical Breakdown/Power Failure (N.J.S.A. 17:17-1o)			
(23) Other (must be pre-approved by the Commissioner) (N.J.S.A. 17:17-1o)			
(26) Accident and Health (Property/Casualty Companies) (N.J.S.A. 17B:17-4)			
(27) Municipal Bond (N.J.A.C. 11:7)			
(28) Life (N.J.S.A. 17B:17-3)			
(29) Accident and Health (Life/Health Companies) (N.J.S.A. 17B:17-4)			
(30) Annuities (N.J.S.A. 17B:17-5)			
(31) Variable Contracts (N.J.S.A. 17B:28-1 et seq.)			
(33) Title (N.J.S.A. 17:46B-7)			
(34) Fraternal Benefit Society (N.J.S.A. 17:44B)			
(35) Residential Mortgage Guaranty (N.J.S.A. 46A-3)			
(36) Commercial Mortgage Guaranty (N.J.S.A. 46A-3)			

<b>NEW MEXICO</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life and Annuities (NMSA Section 59A-7-2)			
Accident and Health (NMSA Section 59A-7-3)			
Property (NMSA Section 59A-7-4)			
Casualty (NMSA Section 59A-7-6)			
Variable Life and Annuity (NMSA Section 59A-7-7)			

<b>NEW YORK</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(Notes 1 and 2)</b>			
<b>(Section 1113(a) of the N.Y. Ins. Law)</b>			
(1) Life			
(2) Annuities			
(3) (i) – A&H – Other than Non-Cancellable Disability			
(3) (ii) – A&H – Non-Cancellable Disability			
(4) Fire			
(5) Miscellaneous Property			
(6) Water Damage			

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FEIN: \_\_\_\_\_

<b>NEW YORK (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(7) Burglary & Theft			
(8) Glass			
(9) Boiler and Machinery			
(10) Elevator			
(11) Animal			
(12) Collision			
(13) Personal Injury Liability			
(14) Property Damage Liability			
(15) Workers' Compensation and Employers' Liability			
(16) Fidelity and Surety			
(17) Credit			
(19) Motor Vehicle and Aircraft Physical Damage			
(20) Marine and Inland Marine			
(21) Marine Protection and Indemnity			
(22) Residual Value			
(24) Credit Unemployment			
(26) Gap			
(27) Prize Indemnification			
(28) Service Contract Reimbursement			
(29) Legal Services			
(30) Involuntary Unemployment			
(31) Salary Protection			
<b>Monoline only:</b>			
Title – Section 1113(a)(18) & Article 64 of the N.Y. Ins. Law			
Mortgage Guaranty - Section 1113(a)(23) & Article 65 of the N.Y. Ins. Law			
Financial Guaranty - Section 1113(a)(25) & Article 69 of the N.Y. Ins. Law			

**Note 1:** A company may only apply for the lines of insurance for which it is authorized in its state of domicile.

**Note 2:** The company must have transacted business for a minimum of three (3) years prior to seeking admission. If the company was recently acquired, at least three (3) years of operating experience under the new management is required. An affiliated insurer admitted in New York and operating under the same ownership/management team for at least three (3) years may satisfy this requirement. If the aforementioned situation applies, a written request for approval of a waiver must be submitted with the application.

<b>NORTH CAROLINA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Life (NCGS 58-7-15)</b>			
Life, Including Industrial and Credit Life			
Annuities			
Variable Annuities			
Variable Life			
Accident and Health - Cancelable			
Accident and Health - Non-Cancelable			
Accident and Health – Credit			
<b>Fire (NCGS 58-7-15)</b>			
Fire			
Miscellaneous Property - Extended Coverage			
Miscellaneous Property - Growing Crops			
Water Damage – Commercial			
Water Damage - Residence			
Burglary and Theft			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>NORTH CAROLINA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Glass			
Animal			
Collision – Automobile			
Collision – Other			
Motor Vehicle and Aircraft - Property Damage			
Motor Vehicle and Aircraft - Fire			
Motor Vehicle and Aircraft - Theft			
Motor Vehicle and Aircraft - Comprehensive			
Motor Vehicle and Aircraft - Collision			
Marine – Inland			
Marine – Ocean			
Marine Protection and Indemnity			
Other			
<b>Casualty (NCGS 58-7-15)</b>			
Accident and Health – Cancelable			
Accident and Health – Non Cancelable			
Accident and Health – Credit			
Water Damage – Commercial			
Water Damage – Residence			
Burglary and Theft			
Glass			
Boiler and Machinery			
Elevator			
Animal			
Collision – Automobile			
Collision – Other			
Personal Injury Liability – Automobile			
Personal Injury Liability – Other			
Property Damage Liability – Automobile			
Property Damage Liability - Other			
Workers' Compensation and Employer's Liability			
Fidelity and Surety			
Credit			
Title			
Motor Vehicle and Aircraft – Property Damage			
Motor Vehicle and Aircraft – Fire			
Motor Vehicle and Aircraft – Theft			
Motor Vehicle and Aircraft – Comprehensive			
Motor Vehicle and Aircraft – Collision			
Marine Protection and Indemnity			
Aircraft Voluntary Settlement			
Hole-in-One			
Other			
Mortgage Guaranty			

<b>NORTH DAKOTA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life & Annuity			
Accident & Health			
Property			
Casualty			
Variable Life and Annuity			

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>OHIO</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life Companies (O.R.C. 3911.01)			
Life			
Accident and Health (Including Disability)			
Annuities			
Variable Authority (if licensed under O.R.C. 3911.01 for both Life and Annuities lines of business, such company may apply for Variable Annuity) (O.R.C. 3911.011)			
<b>Property &amp; Casualty (O.R.C. 3929.01(A))</b>			
(1) Fire			
(2) Allied Lines			
(3) Farmowners Multiple Peril			
(4) Homeowners Multiple Peril			
(5) Commercial Multiple Peril			
(6) Ocean Marine			
(7) Inland Marine			
(8) Financial Guarantee			
(9) Medical Malpractice			
(10) Earthquake			
(11) Group A&H			
(12) Credit A&H (Group and Individual)			
(13a) Collectively Renewable A&H			
(13b) Noncancelable A&H			
(13c) Guaranteed Renewable A&H			
(13d) Nonrenewable for Stated Reasons Only			
(13e) Other Accident Only			
(13f) All Other A&H			
(14) Workers' Compensation (to the extent permitted by law)			
(15) Other Liability			
(16a) Private Passenger Auto No-Fault (personal injury protection to the extent permitted by law)			
(16b) Other Private Passenger Auto Liability			
(16c) Commercial Auto No-Fault (personal injury protection to the extent permitted by law)			
(16d) Other Commercial Auto Liability			
(17a) Private Passenger Auto Physical Damage			
(17b) Commercial Auto Physical Damage			
(18) Aircraft (all perils)			
(19) Fidelity			
(20) Surety			
(21) Glass			
(22) Burglary and Theft			
(23) Boiler and Machinery			
(24) Credit			
(25) Reinsurance Only			
(26) Other (list)			
Title Insurance (O.R.C. 3953)			

<b>OKLAHOMA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (O.S. 36 §702)			
Surety (including bail) (OAC 365:25-5-41)			

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>OKLAHOMA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Surety (excluding bail) (O.S 36 §708)			
Title (O.S. 36 §709)			
Marine (O.S. 36 §705)			
Accident & Health (O.S. 36 §703)			
Property (O.S. 36 §704)			
Vehicle (O.S. 36 §706)			
Casualty (vehicle only) (O.S. 36 §706)			
Casualty (including vehicle)(O.S. 36 §707)			
Workers' Compensation (O.S. 36 §608, §612.2)			
Variable Annuity (O.S. 36 §6061, §6062, OAC 365:10.9.10)			
Variable Life (O.S. 36 §6061, §6062)			
Reinsurance (O.S. 36 §2132)			
Health Maintenance Organizations (O.S.36 §6901)			

<b>OREGON</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (ORS 731.170)			
Credit Life and Credit Health (ORS 743.371)			
Industrial Life Insurance (ORS 731.166)			
Health (ORS 731.162)			
Health Care Service Contractor (ORS 750.005)			
Health Care Service Contractor (Complementary Health Services) (ORS 750.005)			
Property (ORS 731.182)			
Casualty, Excluding Workers' Comp (ORS 731.158)			
Casualty, Including Workers' Comp (ORS 731.158)			
Marine & Transportation (ORS 731.174)			
Surety (ORS 731.186)			
Home Protection (only) (ORS 731.164)			
Mortgage (only) (ORS 731.178)			
Title (only) (ORS 731.190)			

<b>PENNSYLVANIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(Notes 1 and 2)</b>			
<b>Life</b>			
Life and Annuities (40 P.S. § 382(a)(1))			
Separate Account – Variable Life (40 P.S. § 382 (a)(1))			
Separate Account – Variable Annuities (40 P.S. § 382 (a)(1))			
Accident and Health (40 P.S. § 382(a)(2))			
<b>Property</b>			
Fire and Allied Lines (40 P.S. § 382(b)(1))			
Inland Marine & Auto Physical (40 P.S. § 382(b)(2))			
Ocean Marine (40 P.S. § 382(b)(3))			
<b>Casualty</b>			
Fidelity and Surety (40 P.S. § 382(c)(1))			
Accident and Health (40 P.S. § 382(c)(2))			
Glass (40 P.S. § 382 (c)(3))			
Other Liability (40 P.S. § 382 (c)(4))			
Steam Boiler & Machinery (40 P.S. § 382 (c)(5))			
Burglary-Theft (40 P.S. § 382 (c)(6))			
Credit (40 P.S. § 382 (c)(7))			
Water (40 P.S. § 382 (c)(8))			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

PENNSYLVANIA (continued)	Authorized to Transact	Currently Transacting	Applying for
Elevator (40 P.S. § 382 (c)(9))			
Livestock (40 P.S. § 382 (c)(10))			
Auto Liability (40 P.S. § 382 (c)(11))			
Mine & Machinery (40 P.S. § 382 (c)(12))			
Personal Property Floater (40 P.S. § 382 (c)(13))			
Workers' Compensation (40 P.S. § 382 (c)(14)) (Note 3)			
Other (40 P.S. § 382 (e))			
Title (40 P.S. § 910-1)			

**Note 1:** A company may only apply for the lines of insurance for which it is authorized in its state of domicile.

**Note 2:** The company must have transacted business for a minimum of one (1) year prior to seeking admission. If the company was recently acquired, at least one (1) year of operating experience under the new management is required. An affiliated insurer admitted in Pennsylvania and operating under the same ownership/management team for at least one year may satisfy this requirement. If the aforementioned situation applies, a written request for approval of a waiver must be submitted with the application.

**Note 3:** The Department of Labor and Industry requires all insurers that are applying to write workers' compensation to complete and file an Initial Report of Accident and Illness Prevention Services. The Insurance Department will not issue a Certificate of Authority to an insurer to write workers' compensation insurance until the Department of Labor and Industry has indicated the company has made the necessary filing as required by the Workers' Compensation Act. The necessary form with instructions can be obtained at: [http://www.insurance.pa.gov/Companies/DoingBusiness/Documents/LIBC\\_211I.pdf](http://www.insurance.pa.gov/Companies/DoingBusiness/Documents/LIBC_211I.pdf).

PUERTO RICO	Authorized to Transact	Currently Transacting	Applying for
Agricultural (Section 4.060 of the Insurance Code)			
Casualty (Section 4.080 of the Insurance Code)			
Disability (Section 4.030 of the Insurance Code)			
Fraternal Life (Chapter 36 of the Insurance Code)			
Health (Chapter 19 of the Insurance Code)			
Life (Section 4.020 of the Insurance Code)			
Marine & Transportation (Section 4.050 of the Insurance Code)			
Mortgage Loans (Chapter 23 of the Insurance Code)			
Title (Section 4.100 of the Insurance Code)			
Surety (Section 4.090 of the Insurance Code)			
Property (Section 4.040 of the Insurance Code)			
Variable Life (Section 4.020 of the Insurance Code)			
Variable Annuities (Section 4.020 of the Insurance Code)			
Vehicle (Section 4.070 of the Insurance Code)			

RHODE ISLAND	Authorized to Transact	Currently Transacting	Applying for
<b>Life and Health Companies:</b>			
Life (Note 1)			
Accident and Health (Note 1)			
Annuities (Note 1)			
Variable Life (Note 1)			
Variable Annuity (Note 1)			
Variable Contracts (Notes 1 and 2)			
<b>Property and Casualty Companies:</b> (Note 3)			
Fire			
Allied Lines			
Multi-Peril Crop			
Federal Flood			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>RHODE ISLAND (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Farmowners Multi-Peril			
Homeowners Multi-Peril			
Commercial Multi-Peril			
Ocean Marine			
Inland Marine			
Medical Malpractice/Medical Liability			
Earthquake			
Accident & Health			
Workers' Compensation			
Other Liability			
Products Liability			
Automobile (Full Coverage)			
Aircraft (All Perils)			
Fidelity			
Surety			
Glass			
Burglary and Theft			
Boiler and Machinery			
Credit			
Warranty			
Title			
Financial Guaranty or Mortgage Guaranty			

A company will be granted authority for a line of business in Rhode Island only on the condition that the company already has authority to sell that line in its state of domicile.

Note 1: Includes individual and group, and credit and non-credit.

Note 2: Variable Contracts includes Variable Life and Variable Annuity.

Note 3: Or alternatively: All lines except Life, Annuities, Title, Mortgage Guaranty and Financial Guaranty.

<b>SOUTH CAROLINA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life and Annuities (SC 38-5-30)			
Accident and Health (SC 38-5-30)			
Property (SC 38-5-30)			
Casualty (SC 38-5-30)			
Surety (SC 38-5-30)			
Marine (SC 38-5-30)			
Title (SC 38-5-30)			

<b>SOUTH DAKOTA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(1) Life			
(2) Health			
(3) Fire & Allied Lines			
(4) Inland & Ocean Marine			
(5) Workers' Compensation			
(6) Bodily Injury (No Auto)			
(7) Property Damage (No Auto)			
(8) Bodily Injury (Auto)			
(9) Property Damage (Auto)			
(10) Physical Damage (Auto)			
(11) Fidelity & Surety Bonds			

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>SOUTH DAKOTA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
(12) Glass			
(13) Burglary & Theft			
(14) Boiler & Machinery			
(15) Aircraft			
(16) Credit (includes Credit Life; Credit Health; Credit Mortgage Guaranty and GAP (Guaranteed Auto Protection))			
(17) Crop - Hail			
(18) Livestock			
(19) Title			
(20) Variable Annuity			
(21) Variable Life			
(22) Reinsurance			
(23-A) Travel			
(23-C) Bail Bonds			
(24) SD Farm Mutual (County)			
(25) SD Farm Mutual (State)			
(27) Personal			

<b>TENNESSEE</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (TCA 56-2-201), (a)			
Accident and Health (TCA 56-2-201), (a)			
Credit (TCA 56-2-201), (a)			
Variable Contracts (TCA 56-2-201), (a)			
Property (TCA 56-2-201), (a), (b)			
Vehicle (TCA 56-2-201), (a), (c)			
Casualty (TCA 56-2-201) (a), (d)			
Surety (TCA 56-2-201) (a), (e)			
Title (TCA 56-35-112) (a)			

- (a) Company may only write lines in Tennessee that they are authorized to write in their domiciliary state.
- (b) Includes Fire and Extended Coverage, Other Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril, Earthquake, Growing Crops, Water Damage – Sprinkler Leakage, Ocean Marine and Inland Marine.
- (c) Automobile Bodily Injury, Automobile Property Damage and Automobile Physical Damage. (The Vehicle class is to be used when the company requests Vehicle only and no other Casualty line)
- (d) All lines listed under (c) above in addition to Disability, General Liability, Workers' Compensation, Burglary and Theft, Personal Property Floater, Glass, Boiler, Water Damage, Credit, Elevator, Livestock, Collision, Malpractice, Miscellaneous.
- (e) Credit, Accident and Health, Fidelity, Performance Contracts and Bonds, Indemnification Insurance and Mortgage Guaranty.

<b>TEXAS</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Fire			
Allied Coverages (a)			
Hail, growing crops only			
Rain			
Inland Marine (b)			
Ocean Marine			
Aircraft Liability			
Aircraft Physical Damage			
Accident			
Health			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>TEXAS (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Workers' Comp & Emp. Liability			
Employer's Liability			
Automobile Liability (c)			
Automobile Physical Damage (d)			
Liability other than Automobile (e)			
Fidelity and Surety			
Glass			
Burglary and Theft			
Forgery			
Boiler and Machinery			
Credit (f)			
Livestock (g)			
Title (h)			
Mortgage Guaranty Type I (i)			
Mortgage Guaranty Type II (i)			
Life (includes Annuity)			
Variable Life			
Variable Annuity			

When one of the above coverages includes more than one kind or sub-line of insurance, the selection of that coverage authorizes the company to write one or more of the specified kinds of insurance included in that coverage.

- (a) Includes, but not limited to, Extended Coverage, Windstorm, Lightning, Hurricane, Hail (except growing crops), Explosion, Riot, Civil Commotion, Smoke, Aircraft, Land Vehicles, Physical Loss Form, Additional Extended Coverage, Vandalism, Malicious Misc
- (b) Includes Personal Property Floater.
- (c) Includes Bodily Injury, Medical Payments, Property Damage, and other Automobile Liability.
- (d) Includes Fire, Theft, Collision, Comprehensive and other Automobile Physical Damage.
- (e) Includes Bodily Injury, Medical Payments and Property Damage with regards to Comprehensive Personal Liability, Owners, Landlords and Tenants, Manufacturers and Contractors, Product, Contractual, Elevator (including Elevator Collision), Employers' Liability, Professional Liability for Physicians, Podiatrists, Certified Anesthetists, and Hospitals, and other Liability other than Automobile.
- (f) Includes Credit Involuntary Unemployment; excludes Mortgage Guaranty.
- (g) Mortality.
- (h) May be written only by Title insurance companies except those companies transacting title insurance prior to October 1, 1967. Includes Attorney's Title insurance companies as authorized by Texas Insurance Code, Chapter 2551.
- (i) May be written only by Mortgage Guaranty insurance companies as authorized by Texas Insurance Code, Chapter 3502.

<b>UTAH</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>Health</b>			
Health Maintenance Organization (Utah Code Ann. §31A-8-101(5))			
Limited Health Plan (Utah Code Ann. §31A-8-101(3)(a))			
Limited Health Plan – Dental			
Limited Health Plan – Vision			
Nonprofit Health Plan (Utah Code Ann. §31A-7-102)			
<b>Life</b>			
Life Insurance (Utah Code Ann. §31A-1-301(110))			
Annuity (Utah Code Ann. §31A-1-301(9))			
Variable Contract (Utah Code Ann. §31A-20-106)			
<b>Property and Casualty</b>			
Accident & Health (Utah Code Ann. §31A-1-301(1)(a))			

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>UTAH (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Bail Bond Surety (Utah Code Ann. § 31A-1-301(12))			
Credit Guarantee (Utah Code Ann. § 31A-1-301(37)(a))			
Legal Expense (Utah Code Ann. § 31A-1-301(107)(a))			
Liability Insurance (Utah Code Ann. § 31A-1-301(108)(a))			
Marine & Transportation (Utah Code Ann. § 31A-1-301(90) & 31A-1-301 (130))			
Motor Club (Utah Code Ann. § 31A-1-301(125))			
Professional Liability, excluding medical malpractice (Utah Code Ann. § 31A-1-301(108))			
Professional Liability, including medical malpractice (Utah Code Ann. § 31A-1-301(119) & 31A-1-301(151))			
Property Insurance (Utah Code Ann. § 31A-1-301(152)(a)(b))			
Surety Insurance (Utah Code Ann. § 31A-1-301(177))			
Title Insurance (Utah Code Ann. § 31A-1-301(180))			
Vehicle Liability Insurance (Utah Code Ann. § 31A-1-301(185))			
Workers' Compensation Insurance (Utah Code Ann. § 31A-1-301(188))			

<b>VERMONT</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (Section 3301(a)(1))			
Variable Annuity (Section 3301(a)(1)) and (Section 3857)			
Variable Life (Section 3301(a)(1)) and (Section 3857)			
Health (Section 3301(a)(2))			
Casualty (Section 3301(a)(3))			
Marine and Transportation (Section 3301(a)(4))			
Marine Protection and Indemnity (Section 3301(a)(5))			
Wet Marine and Transportation (Section 3301(a)(6))			
Property (Section 3301(a)(7))			
Surety (Section 3301(a)(8))			
Title (Section 3301(a)(9))			
Multiple Line (Section 3301(a)(10))			

<b>VIRGINIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(§ 38.2 101 through 134)</b>			
<b>Life and Health and Fraternal Benefit Society</b>			
01 Life			
02 Industrial Life			
03 Credit Life			
04 Variable Life			
05 Annuities			
06 Variable Annuities			
07 Accident and Sickness			
08 Credit Accident and Sickness			
99 Managed Care Health Insurance Plan *			
<b>Title</b>			
33 Title			
<b>Property and Casualty</b>			
07 Accident and Sickness			
08 Credit Accident and Sickness			
09 Fire			
10 Miscellaneous Property and Casualty			

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FORM 3

Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
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<b>VIRGINIA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
11 Farmowners Multi Peril			
12 Homeowners Multi Peril			
13 Commercial Multi Peril			
14 Ocean Marine			
15 Inland Marine			
16 Workers' Comp-Emp Liability			
17 Liability Other Than Auto			
18 Auto Liability			
19 Auto Physical Damage			
20 Aircraft Liability			
21 Aircraft Physical Damage			
23 Fidelity			
24 Surety			
25 Glass			
26 Burglary and Theft			
27 Boiler and Machinery			
28 Credit			
29 Animal			
30 Water Damage			
32 Legal Services			
55 Home Protection			
56 Mortgage Guaranty			
74 Credit Involuntary Unemployment			
75 Credit Property			
99 Managed Care Health Insurance Plan *			

- \* Companies applying to operate a Managed Care Health Insurance Plan (MCHIP) will be required to obtain a Certificate of Quality Assurance (Certificate) from the Virginia Department of Health pursuant to § 38.2-5800 et seq. of the Code of Virginia. Upon receipt of an application to operate an MCHIP, the Bureau of Insurance will send a letter to the applicant describing the requirements for operating an MCHIP that includes the requirement to obtain a Certificate of Quality Assurance from the Virginia Department of Health.

<b>WASHINGTON</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (RCW 48.11.020)			
Disability (RCW 48.11.030)			
Health (RCW 48.11.030)			
Health Maintenance Organization (RCW 48.46)			
Health Care Service Contractor (RCW 48.44)			
Limited Health Care Service Contractor (RCW 48.44)			
Property (RCW 48.11.040)			
Marine and Transportation (RCW 48.11.050)			
Vehicle (RCW 48.11.060)			
General Casualty (RCW 48.11.070)			
Surety (RCW 48.11.080)			
Title (RCW 48.11.100)			
Ocean Marine (RCW 48.11.105)			

<b>WEST VIRGINIA</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life (WV Code §33-1-10(a))			
Accident & Sickness (WV Code §33-1-10(b))			
Fire (WV Code §33-1-10(c))			

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Applicant Company Name: \_\_\_\_\_ NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>WEST VIRGINIA (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Marine (WV Code §33-1-10(d))			
Casualty without Workers' Compensation (WV Code §33-1-10(e))			
Casualty with Workers' Compensation (WV Code §33-1-10(e)(14))			
Surety (WV Code §33-1-10(f)(1)) Fidelity			
Surety (WV Code §33-1-10(f)(2)) Performance			
Surety (WV Code §33-1-10(f)(3)) Financial Guaranty			
Surety (WV Code §33-1-10(f)(3)) Mortgage Guaranty (monoline)			
Surety (WV Code §33-1-10(f)(4)) Title			
Reinsurance (WV Code §33-1-11)*			
Variable Annuity (WV Code §33-13A)			
Variable Life (WV Code §33-13A)			
Physicians' Mutual (WV Code §33-20F)			
Reciprocal (WV Code §33-21) **			
Farmers Mutual Fire (WV Code §33-22)			
Fraternal (WV Code §33-23)			
Hospital Service Corporation (WV Code §33-24)			
Medical Service Corporation (WV §33-24)			
Health Service Corporation (WV §33-24)			
Dental Service Corporation (WV §33-24)			

\* Indicate above the kinds of insurance to be reinsured, if application is for authority to transact reinsurance only.

\*\* Indicate above the kinds of insurance to be written by the reciprocal insurer

<b>WISCONSIN</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
<b>(s. Ins 6.75, Wis. Adm. Code)</b>			
(1) (a) Life and Insurance Annuities - Nonparticipating			
(1) (a) Life and Insurance Annuities -Participating			
(1) (b) Variable Life and Variable Annuities			
(1) (c) Disability (includes health)			
(2) (a) Fire, Inland Marine and Other Property			
(2) (b) Ocean Marine			
(2) (c) Disability (includes health)			
(2) (d) Liability and Incidental Medical Expense			
(2) (e) Automobile			
(2) (f) Fidelity Insurance			
(2) (g) Surety Insurance			
(2) (h) Title			
(2) (i) Mortgage Guaranty			
(2) (j) Credit Insurance			
(2) (k) Workers' Compensation Insurance			
(2) (l) Legal Expense Insurance			
(2) (m) Credit Unemployment Insurance			
(2) (n) Miscellaneous			
(2) (o) Aircraft			

<b>WYOMING</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Life, including annuities (WS 26-5-102)			
Variable Contracts (WS 26-5-102)			

Attachment Eight-C  
Financial Condition (E) Committee  
8/14/21

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

<b>WYOMING (continued)</b>	<b>Authorized to Transact</b>	<b>Currently Transacting</b>	<b>Applying for</b>
Disability (WS 26-5-103)			
Property (WS 26-5-104)			
Surety (WS 26-5-105)			
Casualty (WS 26-5-106)			
Marine and Transportation (WS 26-5-107)			
Multiple Lines (WS 26-5-108)			
Title (WS 26-5-109)			

Applicant Company Name: \_\_\_\_\_ FEIN: \_\_\_\_\_

**UNIFORM CERTIFICATE OF AUTHORITY APPLICATION (UCAA)**  
**Management Information Form**  
**Complete Listing of Incorporators, Officers**  
**Directors and Shareholders (10% or more)**

Incorporators	Titles	Ownership Percentage	Bio Provide/Disclaimer*
Officers:			
Directors:			
Shareholders:			

- Disclaimer IF allowed by State.

Applicant Company Name: \_\_\_\_\_ NAIC Cocode: \_\_\_\_\_  
FEIN: \_\_\_\_\_

### **Debt-to-Equity Ratio Statement**

Members of a holding company system must complete debt-to-equity information. The comprehensive debt-to-equity ratio statement includes the following information.

- A. Consolidated outside debt to consolidated equity ratio on a GAAP basis for the holding company.\*

Debt Duration	Debt Amount (\$)	Debt to Consolidated Equity Ratio
Up to 5 years		
Up to 10 years		
Up to 20 years		

- B. Provide the most recent consolidated holding company financial statement.

Attachment Button

- C. State if the holding company, on a consolidated basis, has a tangible net worth:  
a) for the past three years;  
b) at present; and  
c) provide projections with assumptions for a three-year period.

Attachment Button

- D. The Applicant Company must clearly substantiate the sources of repayment of any debt, including, but not limited to, whether the source of repayment is independent from the future income of the insurers.

- E. Calculate the debt service (as reported in D above) required of each insurer as a percentage of the Applicant Company's capital and surplus.

Attachment Button

- F. List the assets of the holding company, if any, that are pledged to fund the debt service or debt repayment of an affiliate or parent (include the assets or stock of any insurer subsidiaries)

Attachment Button

- G. List any guarantees (personal or otherwise) from the shareholders for repayment of the debt.

Attachment Button

\*Some states may require re-statement based upon statutory equity.

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

**Uniform Certificate of Authority Application  
QUESTIONNAIRE**

Directions: Each "Yes" or "No" question is to be answered by marking an "X" in the appropriate space. All questions should be answered. If the Applicant Company denotes a question as "Not Applicable" (N/A) an explanation must be provided. Other answers and additional explanations or details may be provided in writing attached to the questionnaire. Please complete this form and file it with the Applicant Company's application for a Certificate of Authority.

1. I hold the position(s) of \_\_\_\_\_ with the Applicant Company.
2. A. Has the Applicant Company transferred or encumbered any portion of its assets or business, or has its outstanding capital stock been directly or indirectly pledged?  
Yes \_\_\_\_ No \_\_\_\_
- B. Has the Applicant Company merged or consolidated with any other company within the last five years?  
Yes \_\_\_\_ No \_\_\_\_

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

3. Is the Applicant Company presently negotiating for or inviting negotiations for any transaction described above?  
Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

4. Has the Applicant Company ever changed its name?  
Yes \_\_\_\_ No \_\_\_\_

If yes, attach copies of the instruments effecting such transaction certified by the Secretary over corporate seal as a true copy of the originals, including any official state regulatory approvals and filing data.

5. A. Has the Applicant Company undergone a change of management or control since the date of its latest annual statement filed in support of this application?  
Yes \_\_\_\_ No \_\_\_\_
- B. Does the Applicant Company contemplate a change in management or any transaction that would normally result in a change of management within the reasonably foreseeable future?  
Yes \_\_\_\_ No \_\_\_\_

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

6. Is the Applicant Company owned or controlled by a holding corporation?  
Yes \_\_\_\_ No \_\_\_\_

If yes, attach and make a part hereof an affidavit by an executive officer of the Applicant Company who knows the facts listing the principal owners (10% or more of the outstanding shares) of such holding corporation by name and residence address, business occupation and business affiliations.

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

7. Is the Applicant Company owned, operated or controlled, directly or indirectly, by any other state or province, district, territory or nation or any governmental subdivision or agency?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire

8. A. Has the Applicant Company's certificate of authority to do business in any state been suspended or revoked within the last ten years?

Yes \_\_\_\_ No \_\_\_\_

- B. Has the Applicant Company's application for admission to any state been denied within the last ten years?

Yes \_\_\_\_ No \_\_\_\_

If the answer to either question is yes, provide the details in writing and attach to the Questionnaire.

9. Has any person who is presently an officer or director of Applicant Company been convicted on, or pleaded guilty or nolo contendere to, an indictment or information in any jurisdiction charging a felony for theft, larceny or mail fraud or, of violating any corporate securities statute or any insurance statute?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

10. Is the Applicant Company presently engaged in a dispute with any state or federal regulatory agency?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

11. Is the Applicant Company a plaintiff or defendant in any legal action other than one arising out of policy claims?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide a summary of each case and an estimate of the Applicant Company's probable liability, if any, and attach to the Questionnaire.

12. Does the Applicant Company purchase investment securities through any investment banking or brokerage house or firm from whom any of Applicant Company's officers, directors, trustees, investment committee members or controlling stockholders receive a commission on such purchases?

Yes \_\_\_\_ No \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

13. Is the Applicant Company a,

- A. Bank

Yes \_\_\_\_ No \_\_\_\_

- B. Bank holding company, subsidiary or affiliate

Yes \_\_\_\_ No \_\_\_\_

- C. Financial holding company

Yes \_\_\_\_ No \_\_\_\_

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

D. Other financial institution

Yes  No

If yes, identify the bank(s), bank holding company(ies) or financial institution and the affiliation of the Applicant Company. Provide the details in writing and attach to the Questionnaire.

14. Has the Applicant Company, within 18 months last preceding the date of this affidavit, done any of the following:

- A. Made a loan to an entity owned or controlled directly or through a holding corporation by one or more of Applicant Company's officers, directors, trustees or investment committee members, or to any such person?

Yes  No

- B. Sold or transferred any of its assets or property, real or personal, to any such entity or person?

Yes  No

- C. Had its outstanding capital stock directly or indirectly pledged for the debt of an affiliate?

Yes  No

- D. Purchased securities, assets or property of any kind from an entity owned or controlled by one or more of the Applicant Company's officers, directors, trustees, or any persons who have authority in the management of the Applicant Company's funds (including a controlling stockholder)?

Yes  No

If the answer to any of the last four questions is affirmative, did any officer, director, trustee or any person who had authority in the management of the Applicant Company's funds (including a controlling stockholder) receive any money or valuable thing for negotiating, procuring, recommending or aiding in such transaction?

Yes  No

If yes, provide the details in writing and attach to the Questionnaire.

15. Attach an organizational depiction (in the format of a flow chart) showing the various executive management, directors and officers and related material functions that require internal control oversight of the Applicant Company, with the name and official title of those responsible for those offices/functions and the portions of the organization they oversee. Material functions should include, but are not limited to, underwriting, claims adjustment/payments, premium accounting, claims accounting, marketing, financial reporting, and investment management. Note any executive or key staff that has access to funds or bank accounts. Submit a map or narrative explaining where offices are geographically located and the approximate number of employees at each location.

- A. Designate any common facilities and/or any of the above functions that are shared with affiliates.
- B. Designate any of the above office/functions that are delegated to third parties.
- C. Attach copies of signed agreements for office functions delegated to either affiliates or third parties.
- D. As applicable, attach a separate chart reflecting any other management positions (if different than what was noted above) that exercise control over insurance operations in other jurisdiction where the Applicant Company is seeking admission.
- E. Attach any similar information that was submitted to lenders or investment partners.
- F. Attach a copy of the Applicant Company's investment policy (required for primary and redomestication applications only).

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

16. Provide a detailed description of the Applicant Company's sales techniques. The description should include:
- Information regarding recruitment and training of sales representatives.
  - Identification as to whether the Applicant Company will be a direct writer or will use agents, brokers or a combination thereof.
  - Explanation of the compensation and control to be provided by the Applicant Company to its agents, brokers or sales personnel.
  - Sample copies of any agreements entered into between the Applicant Company and its agents or brokers.
  - If the Applicant Company will use a specific agency or managing general agent, identification of the agency or managing general agent and a copy of the agreement for this arrangement.
  - Sample contract forms of all types used and remuneration schedule, including those for general agents, if any.
17. For each state in which the Applicant Company is filing, explain Explain the following:
- The product lines currently sold or planned by the Applicant Company,
  - Specialty line or lines currently sold and planned,
  - Captive business,
  - The Applicant Company's marketing plan, including a description of the financial, corporate or other connections productive of insurance,
  - The Applicant Company's current and expected competition (both regionally and nationally), and
  - How each state in which admission has been requested fits into the marketing plan. General description of the classes to be transacted is not an adequate response. For example, if the Applicant Company plans to market credit life and disability products tailored for use by credit unions, simply stating that it will transact credit life and disability is inadequate.
18. If a parent, subsidiary and/or affiliated insurer is admitted for the classes of insurance requested in the pending application, please differentiate the products and/or markets of the Applicant Company from those of the admitted insurer(s).
19. Provide a detailed description of the advertising that will be used by the Applicant Company to market its products in each state. Include a detailed explanation as to how the Applicant Company will develop, purchase, control and supervise its advertising.
20. For each State, explain in detail the following:
- How the Applicant Company's policies will be underwritten, including the issuance of policies and endorsements,
  - How policies will be cancelled,
  - How premiums and other funds will be handled, and
  - How personnel will be trained, supervised, and compensated.

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

21. Explain in detail how the Applicant Company will adjust and pay claims.
- A. Describe how the Applicant Company will train, supervise and compensate the personnel handling claims adjusting and claims payment.  
B. Provide detailed information as to how and by whom claim reserves will be set and modified.  
C. Does the Applicant Company pay any representative given discretion as to the settlement or adjustment of claims whether in direct negotiation with the claimant or in supervision of the person negotiating, a compensation which is in any way contingent upon the amount of settlement of such claims?  
Yes \_\_\_\_ No \_\_\_\_
22. Is the Applicant Company a member of a group of companies that shares any of the following:
- A. Common facilities with another company or companies  
Yes \_\_\_\_ No \_\_\_\_
- B. Services (e.g. accounting personnel for financial statement preparation)  
Yes \_\_\_\_ No \_\_\_\_
- C. Or, is a party to a tax allocation agreement in common with another company  
Yes \_\_\_\_ No \_\_\_\_
- If the answer to any of the above is yes, explain the division of costs between participants. If costs are pro-rated, what is the basis for division? Attach a copy of relevant contracts and include a summary of any attached contract.
23. Does the Applicant Company have any reinsurance contracts which contracts that in effect provide that Applicant Company will reimburse or indemnify the Reinsurer for losses payable there under?  
Yes \_\_\_\_ No \_\_\_\_  
If yes, provide the details in writing and attach to the Questionnaire.
24. Does any salaried employee or officer, exclusive of a director, presently have in force a license as an insurance broker issued by the \_\_\_\_\_ Department of Insurance?  
(Name of Application State)  
Yes \_\_\_\_ No \_\_\_\_  
If yes, please identify his/her license and position held with applicant.
25. Does the Applicant Company have outstanding unexercised stock options?  
Yes \_\_\_\_ No \_\_\_\_  
A. If yes, to whom and in what number of shares?  
B. If options are outstanding for a number of shares greater than 10% of the number of shares presently issued and outstanding, a copy of the option form and of the plan pursuant to which they were granted are attached.
26. Are any of the Applicant Company's policies being sold in connection with a mutual fund or investment in securities?  
Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

If yes, supply details including all sales literature which refers to the insurance and mutual fund or other investment literature that refers to the insurance and mutual fund or other investment plan connection.

| 27. If the Applicant Company is applying for authority to write Variable Annuities, provide the following:

- A. Copy(ies) of any third-party management or service contracts
- B. Commission schedules
- C. Five-year sales and expense projections
- D. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract
- E. Statement of the investment policy of the separate account
- F. Copy of the variable annuity prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- G. Copies of the variable annuity laws and regulations of the state of domicile
- H. Copy(ies) of the variable annuity contract(s) and application(s)
- I. A description of any investment advisory services contemplated relating to Separate Accounts
- J. Board of Directors resolution authorizing the creation of the separate account

| 28. If the Applicant Company is applying for authority to write Variable Life Insurance, provide the following:

- A. Copy(ies) of variable life policy(ies) the Applicant Company intends to issue
- B. Name and experience of person(s) or firm(s) proposed to supply consulting, investments, administrative, custodial or distribution services to the Applicant Company
- C. Disclose whether each investment advisor i) is registered under the Investment Advisers Act of 1940, or ii) is an investment manager under the Employee Retirement Income Security Act of 1974, or iii) whether the Applicant Company will annually file required information and statements concerning each investment advisor as required by its domiciliary state
- D. Copy of the variable life prospectus as filed with the SEC unless the separate account is not required to file a registration under the federal securities law
- E. Statement of the investment policy of any separate account, and the procedures for changing such policy
- F. Copies of the variable life insurance laws and regulations of the state of domicile
- G. A statement from the Applicant Company's actuary describing reserving procedures including the mortality and expense risks which the Applicant Company will bear under the contract
- H. Standards of suitability or conduct regarding sales to policyholders
- I. Statement specifying the standards of conduct with respect to the purchase or sale of investments of separate accounts (i.e. Board resolution)
- J. Board of Directors resolution authorizing the creation of the separate account

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

- | 29. If the Applicant Company is applying for authority to write Life Insurance, has the Applicant Company at any time in any jurisdiction while operating under its present management, or at any time within the last five years irrespective of changes in management, taught or permitted its agents to sell insurance by using any of the following devices, or representations resembling any of the following:

- A. "Centers of influence" and "advisory board,"  
Yes \_\_\_\_ No \_\_\_\_
- B. A charter or founder's policy,  
Yes \_\_\_\_ No \_\_\_\_
- C. A profit sharing plan,  
Yes \_\_\_\_ No \_\_\_\_
- D. Only a limited number of a certain policies will be sold in any given geographical area;  
Yes \_\_\_\_ No \_\_\_\_
- E. "Profits" will accrue or be derived from mortality savings, lapses and surrenders, investment earnings, savings in administration;  
Yes \_\_\_\_ No \_\_\_\_
- F. A printed list of several large American or Canadian insurers showing the dollar amounts of "savings", "profits" or "earnings" they have made in such categories.  
Yes \_\_\_\_ No \_\_\_\_

If the answer to any of the above is yes, supply a complete set of all sales material including the sales manual, all Applicant Company instructional material, brochures, illustrations, diagrams, literature, "canned" sales talks, copies of the policies which are no longer in use, list of states where such methods were used and the date (by year) when they were used, the approximate amount of insurance originally written in each state on each policy form thusly sold, the amount currently in force, and the lapse ratio on each form year by year and cumulatively in gross to the present date.

30. Does the Applicant Company pay, directly or indirectly, any commission to any officer, director, actuary, medical director or any other physician charged with the duty of examining risks or applications?

Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

| **The following questions are to be completed only if the Applicant Company is redomiciliating to another state.**

31. Does the Applicant Company have any permitted practices allowed by its current state of domicile?

Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_

If yes, provide the details in writing and attach a copy of the state of domicile's approval to the Questionnaire.

32. Does the Applicant Company's current state of domicile prescribe any practices of the Applicant Company that are not in accordance with,

- A. Laws, regulations or bulletins of proposed state of domicile;

Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_

If yes, provide the details in writing and attach to the Questionnaire.

Revised 11/18/2014  
FORM 8R

Applicant Company Name: \_\_\_\_\_

NAIC No. \_\_\_\_\_  
FEIN: \_\_\_\_\_

- B. Reserving requirements of proposed state of domicile; or  
Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_  
If yes, provide the details in writing and attach to the Questionnaire.
- C. NAIC guidelines  
Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_  
If yes, provide the details in writing and attach to the Questionnaire.
33. Will the Applicant Company's investments comply with the investment laws, regulations or bulletins of the proposed state of domicile?  
Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_  
If no, provide the details in writing and attach to the Questionnaire.
34. Does the Applicant Company have any outstanding surplus notes?  
Yes \_\_\_\_ No \_\_\_\_ Not Applicable \_\_\_\_  
If yes, provide the details in writing and attach to the Questionnaire and attach copy(ies) of the surplus notes reflecting the state of domicile's approval.

# UNIFORM CERTIFICATE OF AUTHORITY APPLICATION

## **PRIMARY REDOMESTICATION APPLICATION**

The Primary Redomestication Application to the Uniform Certificate of Authority Application (UCAA) is designed for use ~~in the formation of a new insurer, or~~ for an existing insurer to use in making ~~an~~ application to redomesticate to another state. A Uniform State is one that is committed to using the UCAA review process for company licensing and admissions.

The UCAA Primary Redomestication Application has ~~four~~three sections designed to guide the Applicant Company through the licensing process:

- I. [Application Review Process](#)
- II. [Filing Requirements \(New Insurers and Redomestications\)](#)
- III. [Filing Requirements \(Redomestications Only\)](#)
- IV. [How to File](#)

The goal of the UCAA is to provide a streamlined approval process. However, some states have state-specific filing requirements based on statutes or internal procedures. The uniform states are working to eliminate non-essential state-specific requirements. All Applicant Companies must be familiar with the insurance laws of the state to which they submit an application. Please see the [UCAA charts](#) for information related to obtaining a copy of the laws, regulations and bulletins for the state in which an application is filed.

If the Applicant Company has any questions about the uniform admission process, a list of contact information is provided on the [Addresses and Contacts Information for Submission of Application](#) chart. It is highly recommended that the Applicant Company review the state charts, the application instructions and review the [Frequently Asked Questions \(FAQs\)](#) prior to contacting each state with any questions before submitting the application for review.

### **Primary Redomestication Application Section I**

#### **Application Review Process**

#### **Processing Goal: 90 Days**

It is the goal of each Uniform State to process all Primary Redomestication Applications within 90 calendar days with receipt of a complete application. The 90-day review process includes two weeks to determine if the application is complete and acceptable for filing. A completed application includes all required information detailed in the primary-redomestication application instructions, any state specific requirements and filing fees. During the remaining time-span, the application will receive a financial and operational review. A state may not achieve the 90-day processing goal in instances where the application requires substantial follow-up, or in states with limited resources, or in instances when the Applicant Company files an application during peak business periods such as year-end and annual statement filing periods. Due to varying levels of resources available in each state the review may take longer than 90 days to complete. Anytime the state requests additional information, the state suspends the 90-day goal until it receives the requested information.

Based on the circumstances of a particular application, it may be necessary for the reviewing state to request additional information. Typically, a state will request any additional information it needs within 30 days after the state accepts the application. For more detail regarding the review process, refer to the [Company Licensing Best Practices Handbook](#).

### **Proprietary Information**

Both regulators and the Applicant Company might deem confidential any communications with insurance regulatory agencies in conjunction with the Primary Redomestication Application concerning proprietary information about the Applicant Company. States may only share information determined to be confidential with other persons as authorized by law. By law, the state will not disclose to the public any information determined to be proprietary and trade secret. Each Applicant Company needs to expressly identify all information, in the application and in any subsequent correspondence, that the Applicant Company considers proprietary or trade secret.

The Applicant Company should review the [state chart information](#), and [FAQs](#) prior to contacting the appropriate state regulators with any questions before filing any application.

### **Step One: Filing An Application**

The Applicant Company may submit Primary Redomestication Applications anytime during the year. The state immediately reviews Primary Redomestication Applications to ensure that the Applicant Company submitted the application in the required format as outlined in these instructions.

Generally, within two weeks from the date the state receives the application, the state will notify the Applicant Company whether or not the state has accepted the application for filing. If the state accepts the application for filing, it will assign an official filing date.

If the state does not accept the application for filing due to a deficiency in the application's format, the state will contact the Applicant Company. Depending upon the nature of the deficiency, the state may give the Applicant Company two weeks from the date of receipt of notification from the department reviewing the application to correct the deficiency. Some states may return to the Applicant Company any applications that are deficient and not accepted for filing.

### **Step Two: Application Review**

A Primary Redomestication Application will undergo a rigorous financial and operational review in the state to which the Applicant Company submitted the application. The purpose of the Primary Redomestication Application is to streamline application processing and the state will make every effort to process a Primary Redomestication Application as quickly as possible.

At the conclusion of the substantive review by the reviewing state, the state will grant the Applicant Company a Certificate of Authority or Amend its current Certificate of Authority as a domestic company, allow the Applicant Company to withdraw the application, or will deny the application.

If the application is denied, the state will notify the Applicant Company and provide a detailed explanation for the denial. After the denial, if the Applicant Company wishes to re-file a Primary Redomestication Application, the state will require a new application and filing fee.

If the application is approved and a Certificate of Authority is granted or reissued, the Applicant Company should complete the Company Code Application form or contact the NAIC of its change in domiciliary state. The form can be submitted via email, fax or mail.

## **Primary Redomestication Application Section II**

### **Filing Requirements (New Insurers and Redomestications)**

This section provides a guide to understanding the focus of each document of the Primary Redomestication Application. It is important that applications be complete.

**All documents submitted in support of the application must be current. However, in certain instances, some states have limited latitude to accept older documents, although generally no more than five (5) years old. Please contact the states individually if there are questions about a specific document.**

All forms and instructions required for to complete the Primary Redomestication Application are available under the Primary Redomestication Application tab. The Applicant Company can access the electronic Redomestication for download these documents for printing and submission. The Primary Application cannot be filed electronically via the NAIC/UCAA portal. It must be file directly with the state of domicile. Please contact the state for instructions on the preferred method/format for filing. A redomestication is the process whereby any insurer organized under the laws of any state may become a domestic insurer that transfers its domicile to another state by merger or consolidation or any other lawful method. The Applicant Company files the Primary Application with the Applicant Company's new state of domicile when used for a redomestication.

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204. [Corporate Governance Annual Disclosure](#)

21. State Specific Information

**1. Application Form and Attachments**

The application must identify all lines of insurance ([Form 3](#)) the Applicant Company ~~is requesting authority to transact, as identified by the Applicant Company's plan of operation. Only the Applicant Company using this application for a redomestication filing need to complete~~must identify the lines of business it is requesting authority to transact, and identify the section listing the lines of business that the Applicant Company is currently licensed to transact and is transacting in all jurisdictions. ~~Submit a~~A completed checklist ([Form 1P](#)[Form 1R](#)) and ~~original executed~~ application form ([Form 2P](#)[Form 2R](#)) will be automatically generated as Item 1 of the application.

## 2. Filing Fee

The application must include a filing fee for the state in which an application is being submitted. The payee name and the instructions for submitting the filing fee are included in the [Filing Fees – Primary, Redomestication and Expansion Applications](#) chart. Submit a copy of the Applicant Company's check as Item 2 of the application.

## 3. Minimum Capital and Surplus Requirements

The application must show that the Applicant Company meets the state's statutory minimum capital and surplus requirements. In some states, the minimum capital and surplus requirements are determined by the classes of insurance that the Applicant Company is requesting authority to transact and the classes of insurance the Applicant Company is authorized to transact in all other jurisdictions. The state will determine the level of surplus required after considering the Applicant Company's product line, operating record and financial condition. Compliance with the statutorily prescribed minimum surplus requirement may not be sufficient for all applicants. Review the chart that identifies the [Minimum Capital and Surplus Requirements](#) for each Uniform State. This chart also provides a contact person or a link to a state-specific forms or RBC requirements and instructions. [Submit Attach](#) an explanation of the Applicant Company's compliance with the capital and surplus requirements [in the electronic Redomestication portal](#) as Item 3 of the application.

## 4. Statutory Deposit Requirements

The domiciliary state may require a statutory deposit. The [Statutory Deposit Requirements](#) chart provides state-specific requirements and identifies those states that require a Statutory Deposit. [Submit as Item 4 of the Application, d](#)Documentation explaining how the Applicant Company meets or is meeting the statutory deposit requirements [is item 4 of the application](#). Unless otherwise indicated, the Statutory Deposit is for the benefit of all policyholders.

## 5. Name Approval

Each state has different guidelines and procedures for name approval. The [Name Approval Requirements](#) chart is intended to serve as a guide for the various name approval requirements of each Uniform State. The Applicant Company should check with the state to ensure compliance with all applicable name approval requirements. Where applicable, [submit attach](#) evidence of name approval request as Item 5 of the application.

## 6. Plan of Operation

The plan of operation has three components, a brief narrative, proforma financial statements/projections ([Form 13](#)) and a completed Questionnaire ([Form 8](#)). The narrative should include significant information not captured as part of the Questionnaire that the Applicant Company submits in support of the application, such as the reason for redomestication. The proforma is one of the three (3) components in the Plan of Operation. The proforma is available for Life, Property/Casualty, Health and Title companies. Provide a company-wide, three-year proforma balance sheet and income statement. For the lines requested, provide three-year premium and loss projections by line for the application state. Projections must support all

aspects of the proposed plan of operation, including reinsurance arrangements and any delegated function agreements. Include the assumptions used to arrive at these projections.

The proforma when applied to the ~~primary~~ redomestication application is projected data. The proforma workbook should be the same business type as the financial statement blank filed with the NAIC. As such, the projected amounts need not balance with historical NAIC financial filings. The projected data, however, should be relevant to the Applicant Company's history of growth and losses as contemplated by the NAIC *Accounting Practices and Procedures Manual*.

The proforma should be completed by statutory accounting or financial reporting professionals that should be available to answer any questions or concerns from reviewing regulatory staff. The proforma is completed on an annual basis, typically for a three year time period, however, some states may require five years. The proforma should start with the first full year of operation that the Applicant Company anticipates actively writing business in the state(s) receiving the application. The proforma excel workbook is password protected and cannot be modified. When projecting five years, two workbooks will be required. ~~Submit-Attach~~ the completed Questionnaire-Proforma and all relevant attachments as Item 6 of the application.

## 7. Holding Company Act Filings

If the Applicant Company is a member of a holding company system, the application must include either the most recent Holding Company Act (HCA) filings, including the Annual Form B Registration Statement and related Form F or a statement substantially similar to the NAIC Insurance Holding Company System Regulatory Act (#440). The filing should include all attachments, exhibits appendices referenced in the HCA filings, and the most recent Corporate Governance Annual Disclosure, include any updates if the disclosure has not been restated, as Item 7 of the application. Include all attachments and any amendments up to the application filing date and include copies of all advisory, management and service agreements.

## 8. Statutory Memberships

In some states, the Applicant Company is required to join one or more rating, guarantee or other organizations before transacting insurance. Generally, the Applicant Company's authorized lines of insurance govern statutorily mandated memberships. Review the Statutory Membership Requirements chart prior to contacting the licensure state about any required statutory memberships before transacting insurance. ~~Submit-Attach~~ documentation supporting membership application(s) as indicated, in states where required, as Item 8 of the application.

## 9. SEC Filings or Consolidated GAAP Financial Statement

If the Applicant Company, its parent or its ultimate holding company has made a filing or registration with the U.S. Securities and Exchange Commission (SEC) in connection with a public offering within the last three years, or filed an 8K, 10K or 10Q within the last 12 months, the application must note that the filing, including any supplements or amendments, is available electronically from the SEC. If the Applicant Company, its parent or its ultimate holding company is not publicly traded, the application must include-attach a copy of the Applicant Company's most recent Consolidated GAAP financial statement. ~~Submit-Attach~~ the notice of SEC filings or copy of a Consolidated GAAP statement as Item 9 of the application.

## 10. Debt-to-Equity Ratio Statement

Members of a holding company system must submit complete the debt-to-equity information as Item 10 of the application. The application must include a comprehensive debt-to-equity ratio statement that includes the following information.

- A. Provide the consolidated outside debt to consolidated equity ratio on a GAAP basis for the holding company.\*

Debt Duration	Debt Amount (\$)	Debt to Consolidated Equity Ratio
Up to 5 years		
Up to 10 years		
Up to 20 years		

- B. Provide the most recent consolidated holding company financial statement.
- C. State if the holding company, on a consolidated basis, has a tangible net worth: a) for the past three years; b) at present; and c) provide projections with assumptions for a three-year period.
- D. The Applicant Company must clearly substantiate the sources of repayment of any debt, including, but not limited to, whether the source of repayment is independent from the future income of the insurers.
- E. Calculate the debt service (as reported in D above) required of each insurer as a percentage of the Applicant Company's capital and surplus.
- F. List the assets of the holding company, if any, that are pledged to fund the debt service or debt repayment of an affiliate or parent (include the assets or stock of any insurer subsidiaries)
- G. List any guarantees (personal or otherwise) from the shareholders for repayment of the debt.

\*Some states may require re-statement based upon statutory equity.

## 11. Custody Agreements

The Applicant Company should include-attach a statement setting forth whether or not any of the Applicant Company's stocks, bonds, or other physical or book entry securities are in the physical possession of another entity.

If any of the Applicant Company's stocks, bonds or other securities are not in the Applicant Company's actual physical possession or in a safe deposit box under the exclusive control of the Applicant Company (except as shown in the Schedule of Special Deposits in the Applicant Company's Annual Statement), the application must include the written agreement with each entity holding and/or administering these securities. The written agreement should include appropriate safeguards for the handling of the securities, in accordance with those specified in the NAIC *Financial Condition Examiners Handbook* (Handbook).

Some states have additional requirements for these custody agreements, beyond those called for in the Handbook. Submit-Attach the statement and copies of the custody agreements as Item 11 of the application.

## 12. Public Records Package

Most states have requirements to disclose information to the public under a Public Records Act. To meet these public disclosure requirements certain items must accompany the application. While these documents may or may not be part of the substantive review, please be sure to include the required documents with the application. The Public Records Package chart contains requirements for financial and operational filings. An Applicant Company seeking to redomesticate should provide both financial and operational documents for the application state. ~~An Applicant Company that is seeking to form a new insurer should include all documents listed in the operational section of the chart for the application state. Submit-Attach~~ all documents required by the application state as Item 12 of the application.

## 13. NAIC Biographical Affidavit (Biographical Affidavit)

- A. The Applicant Company is required to submit an NAIC Biographical Affidavit (Form 11) in connection with pending or future application(s) for licensure or a permit to organize with a department of insurance in one or more states. The Applicant Company must submit-attach an NAIC Biographical Affidavit on behalf of all officers, directors and key managerial personnel of the Applicant Company and individuals with a ten percent (10%), or more, beneficial ownership in the Applicant Company and the Applicant Company's ultimate controlling person ("Affiant").
- B. The UCAA defines "Independent Third-Party" as:
  - (i) A consumer reporting agency ("CRA") overseen by the Federal Trade Commission ("FTC") and, therefore, subject to the FCRA, which have been vetted and is currently on the approved list;
  - (ii) Has the ability to perform international background investigations; and
  - (iii) One whose officers and directors have no material affiliation with the Applicant Company other than stock ownership amounting to less than one percent (1%) of total stock outstanding, unless prior approval is given by the department of insurance to which application is being made.
- C. The NAIC Biographical Affidavit requests information with respect to the Affiant's employment history, education, personal information and character. The NAIC Biographical Affidavit also includes the Disclosure and Authorization Concerning Background Reports (the "Disclosure & Authorization Form"). The signature of the Affiant on the Disclosure & Authorization Form permits an Independent Third-Party to conduct an independent third-party verification on the Affiant.
- D. The NAIC Biographical Affidavit includes three types of the Disclosure & Authorization Form. There are three different Disclosure & Authorization Forms since certain state laws, regulations and rules require different kinds of disclosures and wording within such

form. An Affiant must sign the corresponding Disclosure & Authorization Form(s) for the respective state(s) where the Affiant has lived or worked within the last ten (10) years. Refer to the Disclosure & Authorization Forms for further information.

- E. The NAIC Biographical Affidavit is used to evaluate the suitability, competency, character and integrity of the Affiant in connection with an Applicant Company's pending or future application(s) for licensure or a permit to organize with a department of insurance in one or more states.

The Independent Third-Party uses information contained in the NAIC Biographical Affidavit as a tool to perform an independent third-party verification to determine an individual's fitness and propriety. The independent third-party verification may contain information bearing on the Affiant's character, general reputation, personal characteristics, mode of living and credit standing (if required by the state). The Independent Third-Party Vendor shall use the independent third-party verification to create a background report (the "Background Report").

- F. The Disclosure & Authorization Form is valid for a maximum of six months. Additionally, an Affiant may revoke the authorization at any time by delivering a written revocation to the Applicant Company. Refer to the Disclosure & Authorization Form for further information.
- G. The Background Reports are subject to the Fair Credit Reporting Act ("FCRA"). Pursuant to FCRA, the state departments of insurance and an Applicant Company who is seeking admission are "users" of consumer reports. The FCRA requires that the Applicant Company provide the Affiant with a copy of the "Summary of Your Rights Under the Fair Credit Reporting Act." The Applicant Company should provide a copy of the "Summary of Your Rights under the Fair Credit Reporting Act" to each Affiant. This summary can be found at the Federal Trade Commission ("FTC") [website](#). Background Reports are valid for six months from the signature date of the affidavit. Any alteration to the original biographical affidavit or updated signature will require a newly prepared background report.
- H. The Applicant Company and state departments of insurance are required to comply with FCRA, especially as it relates to confidentiality of the information contained in such consumer reports. To the extent required by law, the states and Independent Third-Party Vendors should maintain the Background Reports procured under the Disclosure & Authorization Form as confidential. A copy of the FCRA is located [here](#).
- I. The department of insurance in the state where an Applicant Company files, or intends to file, an application and the Applicant Company may require the Background Report. An Affiant who desires a copy of their Background Report may request a copy from the Applicant Company or the CRA as indicated on the Disclosure & Authorization Form. Refer to the Disclosure & Authorization Form for further information.
- J. Please check state requirements for those states that require additional background information, such as fingerprints, in place of, or in addition to, NAIC Biographical Affidavits. If applying in one of those states, necessary [fingerprints](#) and [processing fees](#) should be included.

Refer to the [list of currently approved Independent Third-Party Vendors for Background Reports](#).

NAIC Biographical Affidavits must be completed on the most current form [[Word](#) | [PDF](#)], in effect at the time the affidavit was signed and the Affiant shall not sign the Affidavits more than six months before the date the Applicant Company files the application. Each question on the biographical affidavit must have a response. If an answer is “None”, then so state. Incomplete biographical affidavits could delay the background investigation report and result in a delay of the application review by the state.

Submit original Biographical Affidavits (Form 11 [[Word](#) | [PDF](#)]) that contain the Disclosure & Authorization Forms to the state department(s) of insurance as Item 13 of the application.

#### **14. State-Specific Information**

~~Some jurisdictions may have additional requirements before a Certificate of Authority is issued. Before completing a UCAA Primary Application, the Applicant Company should review the list of requirements on the State Specific Requirements for the application state. Submit state-specific requirements as Item 14 of the application.~~

#### **Primary Application Section III Filing Requirements—Redomestications Only**

~~The requirements of this section are only for those Applicant Company’s seeking to redomesticate from one state to another and are in addition to the requirements of Section II, Items 1 through 14 of the Primary Application. A redomestication is the process whereby any insurer organized under the laws of any state may become a domestic insurer that transfers its domicile to another state by merger or consolidation or any other lawful method. The Applicant Company files the Primary Application with the Applicant Company’s new state of domicile when used for a redomestication.~~

#### **Table of Contents**

- 15. Annual Statements with Attachments**
- 16. Quarterly Financial Statements**
- 17. Risk-Based Capital Report**
- 18. Independent CPA Audit Report**
- 19. Reports of Examination**
- 20. Certificate of Compliance**
- 21. Corporate Governance Annual Disclosure**

#### **145. Annual Statement with Attachments**

Include a copy of the Applicant Company’s most recent annual statement as filed in the current state of domicile including all statements and supplements in accordance with the *Annual Statement Instructions*, including the Statement of Actuarial Opinion and Management’s Discussion and Analysis. The annual statement should be signed and verified and include an original certification from the state insurance regulatory agency of the Applicant Company’s domiciliary state.

Include one copy of the Applicant Company's annual statement for the two (2) preceding years in addition to the most recent annual statement.

Property/Casualty insurers must attach the Insurance Expense Exhibit, Accident and Health Policy Experience Exhibit and/or Schedule P to the annual statement.

Life insurers must include a Certificate of Valuation from the domiciliary state insurance regulatory agency.

Members of a holding company system must attach a copy of the most recent consolidated annual statement, if filed with its current state of domicile. Submit the annual statement, with the necessary attachments, as Item 15 of the application.

**4615. Quarterly Statements**

Include one (1) copy of each quarterly statement that follows the most recent annual statement. In addition, the Applicant Company must immediately forward any new quarterly statements that become available while the application is pending to all states in which applications are pending. Submit the quarterly statements as Item 16 of the application.

**4716. Risk-Based Capital Report**

Include a Risk-Based Capital Report, submitted in the level of detail required by the NAIC, as Item 17 of the application. Please note that the states will maintain confidentiality of these reports.

**4817. Independent CPA Audit Report**

Include a CPA Audit Report, performed by a certified public accountant that is not an employee of the Applicant Company. Submit the CPA Audit Report as Item 18 of the application. Some states allow exemptions to this requirement for small insurers. Please contact the states individually regarding exemptions.

**4918. Reports of Examination**

The application must include a copy of the Applicant Company's most recent Report of Financial Examination from its domiciliary state. The Applicant Company must also note all more recent examinations completed by any state, including market conduct examinations, and provide a description of each examination. Refer to the [Reports of Examination Requirements](#) chart for the exam "as of" date. Submit the Report of Financial Examination and a list of more recent examinations with descriptions as Item 19 of the application.

**2019. Certificate of Compliance**

Include a Certificate of Compliance ([Form 6](#)) with the application. Please refer to the [Certificate of Compliance and Certificate of Deposit Requirements](#) chart for specific requirements for the date of issuance of the Certificate of Compliance ([Form 6](#)) from the file date of the application. The current domiciliary state must complete the Certificate of Compliance. Submit as Item 20 of the application.

## **204. Corporate Governance Annual Disclosure**

If applicable, include the most recent Corporate Governance Annual Disclosure, include any updates if the disclosure has not been restated. Submit the Registration Statement and Annual Disclosure as Item 21 of the application.

## **21. State-Specific Information**

Some jurisdictions may have additional requirements before a Certificate of Authority is issued.  
Before completing a UCAA Redomestication Application, the Applicant Company should review the list of requirements on the State-Specific Requirements for the application state.  
Submit state-specific requirements as Item 14 of the application.

### **Primary Redomestication Application Section IIIIV**

#### **How to File**

To facilitate the prompt review of the Primary Redomestication Application, please ensure that the application adheres to the formatting required instructions provided in this section. States will not accept any applications that fail to meet these formatting requirements. Section IV-III will address the following areas:

1. [Communication Between Applicant Company and Agency](#)
2. [Questions](#)
3. [Application Checklist](#)
4. [Application and Supporting Documents](#)
5. [Addresses for Submission of Application](#)
6. [Updates/Changes](#)
7. [Filing Fee](#)
8. [Forms](#)
9. [State-Specific Information](#)

#### **1. Communication Between Applicant Company and Agency**

Once the state accepts-receives a Primary Redomestication Application for filing, the state will notify-provide the Applicant Company of the official filing date via the status date in the electronic application and provide the agency contact person. The state will provide names, addresses, email (if available) and telephone numbers of the individual(s) assigned to the application.

Prior to receiving the name of the agency contact person, an Applicant Company may contact the agency personnel listed on the Addresses and Contacts for Submission of Application chart to obtain information regarding the status of a Primary Redomestication Application.

#### **2. Questions**

Section II and Section III, Filing Requirements, provide detailed guidelines regarding both the type and format of information required for the Primary Redomestication Application. In most cases, the state provides an agency contact person for each item in the Filing Requirements

section. For additional information, or clarification, Applicant Company's may use the contact names provided in the [Addresses and Contacts for Submission of Application](#) chart.

### **3. Application Checklist**

The application checklist ([Form 1PForm 1R](#)) provides a guide for assembling a complete application. ~~Complete the checklist before submitting a Primary Application for review. Attach a completed checklist to the top of each application. A completed checklist is automatically generated as the Applicant Company meets the required items in Section II, Filing Requirements.~~

### **4. Application and Supporting Documents**

~~Submit one copy of the Checklist, completed application and all supporting documentation to the reviewing state. California, Kentucky and New York require two (2) complete copies. Each item identified in Section II and Section III of the Filing Requirements should have a cover sheet as specified below.~~

~~Each cover sheet should be on paper suitable for use as a cover sheet, such as binder divider pages.~~

~~A cover letter should be attached detailing specific items that should be brought to the agency's attention. The cover letter should provide a reason why a particular item was not attach or completed in the application. Below are examples of why the Application Company may not be included in the application.~~

~~The Applicant Company needs to tab each cover sheet on the right hand side of the page with a number corresponding to the document's item number in the Primary Application checklist.~~

~~If a particular item is not included with the cover sheet, the Applicant Company must attach to the cover sheet a written explanation stating the reason the item has not been included. Set forth below are examples of why the Applicant Company may not attach a particular item to the cover sheet.~~

- “Item not applicable to this application for the following reason ... (state reason).”
- “Item has been attached separately because of size.”

### **5. Addresses for Submission of Application [Filing Fees](#)**

Submit the application [filing fee](#) by mailing it to the appropriate address noted on the [Addresses and Contact Information for Submission of Application or Filing Fees](#) chart.

### **6. Updates/Changes**

The Applicant Company is responsible for informing states of any significant changes that occur or that the Applicant Company discovers during the application review period. Examples of significant changes include: changes in officers and directors, material acquisition or disposal of assets, changes in reinsurance, acquisition of the insurer, change in proposed shareholders, regulatory actions taken against the insurer, change in current business plan, etc.

The Applicant Company must ~~supply revised forms amend the application~~ promptly if any changes occur that materially affect the accuracy of the forms filed in support of the application. For example, the Applicant Company must forward new quarterly statements as soon as they become available.

#### 7. Filing Fee

Please see the [Filing Fees — Primary, Redomestication and Expansion Applications](#) chart to determine the correct fee and filing instructions for the application state.

#### 8. Forms

All forms are available under the [Primary Redomestication](#) Application tab and labeled as [UCAA Forms](#). All forms can be downloaded, printed ~~and submitted via the electronic application portal, with a completed application~~. The forms MUST NOT be altered. ~~At this time, the forms cannot be submitted electronically.~~

#### 9. State-Specific Information

Some jurisdictions may have additional requirements that the Applicant Company must meet before a state can issue a Certificate of Authority. Before completing a UCAA [Primary Redomestication](#) Application, the Applicant Company should review a listing of requirements for the application state under [State-Specific Requirements](#).

**National Treatment and Coordination (E) Working Group**  
Company Licensing Proposal Form

DATE:	<u>5/27/2021</u>	<b>FOR NAIC USE ONLY</b>	
CONTACT PERSON:	<u>Jane Barr</u>	Agenda Item # <u>2021-05</u>	
TELEPHONE:		Year	<u>2021</u>
EMAIL ADDRESS:		<b>DISPOSITION</b>	
ON BEHALF OF:	<u>National Treatment &amp; Coordination WG</u>	[ <input type="checkbox"/> ] ADOPTED	
NAME:	<u>Debbie Doggett</u>	[ <input type="checkbox"/> ] REJECTED	
TITLE:		[ <input type="checkbox"/> ] DEFERRED TO	
AFFILIATION:	<u>MO. Dept. of Insurance</u>	[ <input type="checkbox"/> ] REFERRED TO OTHER NAIC GROUP	
ADDRESS:		[ <input type="checkbox"/> ] EXPOSED	
		[ <input type="checkbox"/> ] OTHER (SPECIFY)	

**IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED**

[  ] UCAA Forms [  ] UCAA Instructions [  ] Enhancement to the Electronic Application Process  
[  ] Company Licensing Best Practices HB

Forms:

- [  ] Form 1 – Checklist [  ] Form 2 - Application [  ] Form 3 – Lines of Business  
[  ] Form 6- Certificate of Compliance [  ] Form 7 – Certificate of Deposit [  ] Form 8 - Questionnaire  
[  ] Form 8C- Corporate Amendment Questionnaire [  ] Form 11-Biographical Affidavit [  ] Form 12-Uniform Consent to Service of Process [  ] Form 13- ProForma [  ] Form 14- Change of Address/Contact Notification  
[  ] Form 15 – Affidavit of Lost C of A [  ] Form 16 – Voluntary Dissolution [  ] Form 17 – Statement of Withdrawal

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**DESCRIPTION OF CHANGE(S)**

Include additional guidance to Form A Review item 2f : Carefully scrutinize and understand complex organization and ownership structures by requesting and reviewing all organizational documents such as Articles of Incorporation, Articles of Association, Partnership Agreements and Operating Agreements for entities from the proposed immediate parent up to the proposed ultimate controlling person (UCP). Review and consider who has the voting rights based on these organizational documents. Verify who should be considered the UCP based upon this review.

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**REASON OR JUSTIFICATION FOR CHANGE \*\***

States may determine that the Ultimate Controlling Party is a different party (individual or entity), after reviewing the partnership agreements, operating agreements or articles of incorporation or association, other than what was initially identified in the Form A application.

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**Additional Staff Comments:**

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\*\* This section must be completed on all forms.

Revised 01-2019

**NAIC Company Licensing Best Practices Handbook**  
**Appendix D – Form A Review Best Practices**

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Every Form A review should be tailored to the risks associated with the proposed acquisition, including the target company, acquiring entity, and the complexity of the transaction. The following best practices are presented as a guide for regulatory review and analysis of Form A acquisitions, recognizing that this list may not be comprehensive and not all items will apply to every acquisition. This list is intended to be a regulatory tool. The NAIC Form A database should be updated as applicable throughout the Form A review process.

**1. Initial Review**

- a) Determine if the filing is complete, note the missing items and promptly send a deficiency letter to the Applicant
- b) Identify attorneys, party contacts, and the other insurance regulator reviewing the Form A, including the lead regulator.
- c) The lead regulator should obtain key contact information from each state reviewing the Form A and consider organizing a regulator to regulator call to discuss concerns with the filing
- d) Assign appropriate analyst, legal and other professional staff to conduct regulatory review
- e) Carefully consider whether regulatory review can be completed by Applicant's target close date, including any interim deadlines and obtain deemer extension or waiver if appropriate, and
- f) Schedule and notice hearing/consolidated hearing, if applicable, within statutory timeframes

**2. Background, Identity and Risk Profile of Acquiring Persons**

- a) Identify and review all relevant parties to the proposed acquisition
- b) Assess the feasibility of the acquiring persons holding company structure including location and control (direct/indirect) of the target company post acquisition
- c) Review the lead state's assessment of the acquiring persons most recent ORSA Summary Report and Form F ERM, if applicable, to better understand the related risks
- d) Determine Ultimate Controlling Person and/or Parent (UCP), cross check with source of funds and consider debt funding sources
- e) Review NAIC and other external sources to gain a better understanding of the acquiring persons, its affiliates, and the UCP.
- f) Carefully scrutinize and understand complex organization and ownership structures by requesting and reviewing all organizational documents such as Articles of Incorporation, Articles of Association, Partnership Agreements and Operating Agreements for entities from the proposed immediate parent up to the proposed ultimate controlling person(s) (UCP). Review and consider who has the voting rights under these organizational documents. Verify who should be considered the UCP based upon the reviewed information and document why the determination was made.

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**Appendix D – Form A Review Best Practices**

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- g) Review Audited Financial Statements (or CPA reviewed financial statements for individuals) of the acquiring persons, its holding company, and the UCP, 10K and 10Qs, and other current financial information for enterprise condition, potential debt service by the UCP and its ability to service such debt. Understand the level of reliance on cash flow/dividends from the target company to service debt and other obligations of the holding company and UCP.
- h) Based upon nature of acquiring party, review detailed audited financial statement of all individuals who are source of funds.
  - a. If not available, consider acceptability of unaudited financial statements, compiled personal financial or net worth statements and/or tax returns.
  - i) Consider suitability of UCP through background review and regulatory review of the prospective new owners, using UCAA biographical affidavits and third-party background reviews by NAIC listed independent third-party reviewing companies or fingerprinting criminal checks if applicable, and
  - j) Consider acceptability of SEC disclosures by board members of publicly traded UCPs in suitability review.

3. Communication and Record Maintenance

- a) Communicate response to any confidentiality requests in writing as soon as possible
- b) Create a contact list of relevant persons and representatives
- c) Separate confidential and public documents, information, and communications and maintain as appropriate
- d) Contact and collaborate with other reviewing regulators involved in the review process, as appropriate, including the lead state regulator regarding ORSA and ERM reviews
- e) As applicable, contact other regulators of noninsurance entities of the acquiring party or target
- f) Respond as appropriate to questions from third parties and interested regulators
- g) Keep the acquiring party representatives informed as to status of review
- h) Receive and consider any information provided by external sources, including possible financial or other incentives or motivation of those commenting on a particular transaction
  - i) Summarize review, findings, conclusions and action taken on Form A review in final action document, including stipulations, and conditions subsequent, and
  - j) File and maintain documents under state procedures.

4. Transaction Review

*NAIC Company Licensing Best Practices Handbook*  
**Appendix D – Form A Review Best Practices**

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- a) Determine how acquisition will be achieved by carefully reviewing transactional documents, e.g. merger, stock purchase, stock exchange
- b) Consider disposition of all classes of target shares, including addressment of any beneficial owners
- c) Ascertain propriety of disposition of minority interests and concerns, if applicable
- d) Consider any affiliate or employee benefit as appropriate
- e) Determine how any ancillary regulatory reviews or other interim procedural steps will be completed, including Form E-Pre-Acquisition Notification Form, for other licensed states
- f) Obtain copies of shareholder communications or sole shareholder consent
- g) Consider obtaining copies of fairness and other contractually required opinions if available
- h) Review relevant portions of board resolutions, power points and related board minutes pertinent to the Form A transaction, use care to keep documents confidential, and
- i) Determine whether additional professional transaction review is warranted.

**5. Purchase Consideration**

- a) Determine fairness (equivalency) of total amount to be paid to total value to be received, including derivation of price and value of target under standard valuation methodologies or to book value
- b) Consider quality of consideration, giving careful scrutiny to payments other than cash or cash equivalents which are disfavored particularly when any funds are being transferred to the target.
- c) Consider fairness opinions and actuarial appraisals, if provided
- d) Consider source, type and valuation basis of funds to be used for consideration
  - i. If funds are from a regulated entity, confirm the existence and valuation of such assets with that entity's regulator
  - e) If applicable, consider implications of any debt financing including
    - i. The mechanics of any debt financing to be used to fund the transaction, whether funds are being borrowed in the ordinary course of business or on terms that are less favorable than generally commercial loans.
    - ii. The percentage of debt versus non-debt funds to be used
    - iii. The source of funds or stream of income to be used by parent for repayment and the ability of the acquiring party to repay the debt from sources other than the target

**NAIC Company Licensing Best Practices Handbook**  
**Appendix D – Form A Review Best Practices**

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- iv. Identity of the creditor(s) and creditors' financial condition.
  - v. How will debt be secured; consider prohibiting securing of debt on shares of target or target's assets if not already prohibited by state statute,
  - vi. Compare time period of loan commitment with parent's income stream over the same time period, including the ability of the acquiring party to repay the debt from sources other than the target until loan is repaid/retired, and
  - vii. Consider the long term impact of parent's debt service on operations of the target company and group.
  - viii. Follow-up on Parent's financial commitment to underlying insurer.
6. Target License Qualification /Insurer Operations
- a) Determine whether target insurer meets license qualifications upon change of control
  - b) Consider operational changes post-acquisition, including business plans and projections
  - c) Review required statutory deposits and authorized lines of business
  - d) Consider changes to target management and key employees
  - e) Consider suitability of changes to target management and key employees through background review and regulatory review of new owners, using UCAA biographical affidavits and third-party background reviews or fingerprinting criminal checks, if applicable
  - f) Consider plans for technological interfacing with new affiliates and any potential adverse impact on operations including claims
  - g) Consider suitability of any new affiliated and non-affiliated material agreements, including managing general agents, third party administrators, any professional organizations and reinsurance arrangements
  - h) Review any ERM analysis of the transaction performed by the acquiring entity, including impacts on risk assessment, risk appetite and tolerances, and prospective solvency (capital and liquidity)
  - i) Require Form D filings for any affiliated material transactions, post-acquisition; consider including language in the approval order
  - j) Determine target's estimated financial condition and stability, post-acquisition, and
  - k) Consider with disfavor any plans to liquidate the target or sell its assets, consolidate or merge, that may be unfair, unreasonable, or hazardous to policyholders
  - l) Consider impact of U.S. insurer merging into an international insurer and/or alerting the legal entity structure and regulatory oversight performed by domestic state(s).

*NAIC Company Licensing Best Practices Handbook*  
**Appendix D – Form A Review Best Practices**

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**7. Market Impact**

- a) Consider anticompetitive impact of acquisition on lines or products, including whether transaction will create a monopoly or lessen competition in insurance in the state; Disapprove transaction if completion will create a monopoly
- b) Consider Form E information and market concentration for combined lines and other appropriate information to assess market impact if warranted by nature of transaction, including coordination with other states where the target is admitted, and
- c) Consider imposing tailored conditions subsequent or undertakings as necessary to address competitive market concerns

**8. Post-Approval Considerations, if applicable**

- a) Receive notification of changes to effective closing date
- b) Confirm compliance with conditions precedent
- c) Receive waivers for market conduct or financial examination, and
- d) Receive notification if transaction does not close and consider withdrawal of approval.

**9. Post-Acquisition Considerations**

- a) Receive confirmation of the transaction following the closing, per your state's statutory requirement timeframe
- b) Request written details of the final purchase price after all adjustments are complete on the transaction
- c) Request confirmation of any capital contribution contemplated in the transaction.
- d) Request the names and titles of those individuals whom will be responsible for the filing of the amended Insurance Holding Company System Annual Registration Statement
- e) Request an amended Insurance Holding Company System Registration statement per your state's statutory timeframe within each applicable state's statutory required timeframe after the close of the proposed transaction.
- f) Consider requesting for a period of two years, commencing six months from closing, a semiannual report under oath of its business operations in your state, including but not limited to, integration process; any changes to the business of the Domestic Insurers; changes to employment levels; changes in offices of the Domestic Insurers; any changes in location of its operations in your state; and notice of any statutory compliance or regulatory actions taken by other state regulatory authorities against the acquiring parties or the Domestic Insurers
- g) Consider prior approval of all dividends for a two-year period from the close date
- h) Consider undergoing a target financial and/or market conduct examination following the closing or

*NAIC Company Licensing Best Practices Handbook*  
Appendix D – Form A Review Best Practices

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- i) In lieu of an examination a meeting, conference call or receipt of certain information can be requested
- j) Confirm compliance or satisfaction with any other conditions subsequent or undertakings, and
- k) Monitor target's market performance to projections two years after transaction close date
- l) Consider proactive communication with state(s) where the insurer conducts business if changes to the insurer's corporate structure occurs post-acquisition.



## NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

### MEMORANDUM

**TO:** Dale Bruggeman (OH), Chair, Statutory Accounting Principles (E) Working Group  
Carrie Mears (IA), Vice-Chair, Statutory Accounting Principles (E) Working Group

**FROM:** Commissioner Scott A. White (VA), Chair, Financial Condition (E) Committee

**DATE:** July 22, 2021

**RE:** Terminology Change – Substantive and Nonsubstantive

In response to the discussion on *SSAP No. 71—Policy Acquisition Costs and Commissions*, it has been highlighted that the statutory accounting terminology of “substantive” and “nonsubstantive” to describe statutory accounting revisions being considered by the Statutory Accounting Principles (E) Working Group to the *Accounting Practices and Procedures Manual* (AP&P Manual) could be misunderstood by those who are not familiar with the specific definitions and intended application of those terms. To avoid the incorrect perception that these terms may reflect the degree of financial impact to companies based on their common usage, the Financial Condition (E) Committee requests that the Statutory Accounting Principles consider updating these terms to prevent future misunderstandings.

The Financial Condition (E) Committee understands the terms “substantive” and “nonsubstantive” were crafted as part of the statutory accounting principles (SAP) codification, which was finalized in 1998, and were intended to be simple, concise terms to differentiate whether proposed revisions reflect new SAP concepts (substantive) or clarification of existing SAP concepts (nonsubstantive). The source location for the definitions and classification criteria of these terms is the *NAIC Policy Statement on Maintenance of Statutory Accounting Principles*, but it is noted that the terms and definitions are referred to throughout SAP guidance, other policy statements, issue papers, and agenda items.

Pursuant to this Committee request, the Working Group should consider eliminating “substantive” and “nonsubstantive” and instead refer to the type of revisions in accordance with the general nature in which those terms were intended to reflect. As such, a revision that would have previously been considered “substantive” could be referred to as a “New SAP Concept” and a revision that would have previously been considered as “nonsubstantive” could be referred to as a “SAP Clarification.” The Committee is not proposing that the Working Group reassess the classification criteria but is simply requesting terminology changes to prevent future misinterpretations or assessments by others. As such, unless the Working Group believes further revisions are necessary, statutory revisions that would have been previously classified as “nonsubstantive” are anticipated to continue to fall within that definition and be captured under the new terminology as a “SAP Clarification.”

To illustrate the intent of this request, draft revisions are presented for Working Group consideration. The Working Group should feel welcome to modify these draft revisions as deemed appropriate to best reflect this requested change.

If you have any questions on this request, please contact Commissioner Scott A. White, Chair of the Financial Condition (E) Committee or Dan Daveline, NAIC staff.

c: Julie Gann, Robin Marcotte, Jim Pinegar, Jake Stultz, Fatima Sediqzad

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## NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

### Potential Revisions to the Policy Statement:

#### **NAIC Policy Statement on Maintenance of Statutory Accounting Principles**

1. Statutory accounting principles (SAP) provide the basis for insurers to prepare financial statements to be filed with and utilized by state insurance departments for financial regulation purposes. Accuracy and completeness of such filings are critical to meaningful solvency monitoring. Accordingly, maintenance of SAP guidance for changes in the industry and changes in regulatory concerns is vital to preserving the usefulness of SAP financial statements.
2. The promulgation of new or revised SAP guidance by the NAIC ultimately requires action of the entire NAIC membership. Responsibility for proposing new or revised SAP guidance will be delegated through the NAIC committee structure to the Accounting Practices and Procedures (E) Task Force (Task Force). The Task Force will charge the Statutory Accounting Principles (E) Working Group (Working Group) with the exclusive responsibility to develop and propose new statements of statutory accounting principles (SSAPs), to revise existing SSAPs, and to issue interpretations.

#### **Composition of the Statutory Accounting Principles (E) Working Group**

3. The chair of the Task Force shall determine membership of the Working Group subject to approval by the Financial Condition (E) Committee. The Working Group shall be limited in size to no more than 15 members and will include representation from the four zones of the NAIC. Membership shall be vested in the state (until such time as the membership may be changed) but continuity of individuals, to the extent possible, is extremely desirable.

#### **Development of New SSAPs or New SAP Concepts<sup>1</sup> in an Existing SSAPSubstantively Revised SSAPs**

4. New SSAPs will be developed to address, but will not be limited to: 1) concepts not previously addressed by a SSAP and that do not fit within the scope of an existing SSAP; 2) concepts that fit within the scope of an existing SSAP, but the Working Group elects to supersede existing SSAPs and 3) existing concepts that warrant significant revisions. Substantively revised New SAP concepts to existing SSAPs will be developed to address, but will not be limited to: 1) concepts that fit within the accounting topic of an existing SSAP, but have not been addressed by the Working Group; 2) changes to the valuation and/or measurement of an existing SSAP; and 3) modifications to the overall application of existing SSAPs. The decision to undertake development of a new SSAP or substantively a new SAP concept in an existing<sup>revised</sup> SSAP will rest with the Working Group. New SSAPs or substantively new SAP concept in an existing<sup>revised</sup> SSAPs will have a specified effective date.

5. Research and drafting of new SSAP or substantially a new SAP concept in an existing<sup>revised</sup> SSAPs will be performed by NAIC staff under the direction and supervision of the Working Group which may enlist the assistance of interested parties and/or consultants with requisite technical expertise as needed or desired. The first step in developing new SSAPs and substantively new SAP concepts in existing<sup>revised</sup> SSAPs will commonly be the drafting of an issue paper, which will contain a summary of the issue, a summary conclusion, discussion, and a relevant literature section. Public comments will be solicited on an issue paper (at least one exposure period), and at least one public hearing will be held before the issue paper is converted to a SSAP. Upon approval by the Working Group, all proposed SSAPs will be exposed for public comment for a period commensurate with the length of the draft and the complexities of the issue(s). After a hearing of comments, adoption of new SSAPs or new SAP concepts in existing<sup>substantively revised</sup> SSAPs (including any amendments from exposure) may be made by simple majority. If no comments are received during the public comment period, the Working Group may adopt the proposal collectively (one motion/vote) with other non-contested positions after the opportunity is given during the hearing to separately discuss the proposal. All new SSAPs and substantively revised new SAP concepts in existing<sup>revised</sup> SSAPs must be on the agenda for at least one public hearing before presentation to the Task Force for



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consideration. Adoption by the Task Force, its parent and the NAIC membership shall be governed by the NAIC bylaws.

6. The Working Group may, by a super majority vote (7 out of 10 members, 8 out of 11 or 12, 9 out of 13, 10 out of 14, and 11 out of 15) elect to: 1) combine the IP and SSAP process, resulting in concurrent exposure of the two documents; 2) expose and adopt revisions to a SSAP prior to the drafting/adoption of the related IP; and/or 3) forego completion of an IP and only proceed with a new SSAP or new SAP concepts in an existing revisions to a substantively revised SSAP.

7. If accounting guidance, reserving standards, asset valuation standards, or any other standards or rules affecting accounting practices and procedures are first developed by other NAIC working groups, task forces, subcommittees, or committees, such proposed guidance, standards or rules shall be presented to the Working Group for consideration. In cases where such guidance has already been subjected to substantial due process (e.g., public comment periods and/or public hearings), the Working Group may elect to shorten comment periods and/or eliminate public hearings, and in such cases, will notify the Task Force of these actions.

### **Development of SAP Clarifications<sup>1</sup> Nonsubstantive Revisions to SSAPs**

8. SAP clarifications Nonsubstantive revisions to SAP will be developed to address, but will not be limited to: 1) clarification of the intent or application of existing SSAPs; 2) new disclosures and modification of existing disclosures; 3) revisions that do not change the intent of existing guidance; and 4) revisions to *Appendix A—Excerpts of NAIC Model Laws* to reflect amendments to NAIC adopted model laws and regulations. Research and drafting of SAP clarification nonsubstantive revisions will be performed by NAIC staff under the direction and supervision of the Working Group. Public comment will be solicited on nonsubstantive-these revisions, and the item will be included on the agenda for at least one public hearing before the Working Group adopts nonsubstantive revisions. Nonsubstantive-SAP clarification revisions are considered effective immediately after adoption by the Working Group, unless the Working Group incorporates a specific effective date. If comments are not received during the public comment period, the Working Group may adopt the proposal collectively (one motion/vote) with other “non-contested” positions after opportunity is given during the hearing to separately discuss the proposal. At its discretion, the Working Group may request that an issue paper be drafted for nonsubstantive-SAP clarification revisions in order to capture historical discussion and adopted revisions. Adoption of nonsubstantive-these revisions by the Task Force, its parent and the NAIC membership shall be governed by the NAIC bylaws.

New Footnote 1: Prior to (adoption date), the term used to describe a new SAP concept was “substantive” and the term used to describe a SAP clarification was “nonsubstantive.” The new terms will be reflected in materials to describe revisions to statutory accounting principles on a prospective basis and historical documents will not be updated to reflect the revised terms.

### **Development of Interpretations to SSAPs and Referencing Interpretations Within SSAPs**

#### **Interpretations Which DO NOT Amend, Supersede or Conflict with Existing SSAPs**

9. Interpretations may be developed to address issues requiring timely application or clarification of existing SAP, which shall not amend, supersede or conflict with effective SSAPs. Issues being considered as an interpretation must be discussed at no less than two open meetings. (Original introduction of the issue when the Working Group identifies the intent to address the issue as an “interpretation” during a public discussion is considered the first open meeting discussion.) The process must allow opportunity for interested parties to provide comments, but as interpretations are intended to provide timely responses to questions of application or interpretation and clarification of guidance, no minimum exposure timeframe is required.

10. As these interpretations do not amend, supersede or conflict with existing SSAP guidance, the interpretation is effective upon Working Group adoption unless specifically stated otherwise. The voting requirement to adopt an



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interpretation of this type is a simple majority. The Working Group shall report the adopted interpretation to the Accounting Practices and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). Interpretations can be overturned, amended or deferred by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of the entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

### Interpretations Which Amend, Supersede or Conflict with Existing SSAPs

11. In certain circumstances such as catastrophes and other time-sensitive issues requiring immediate, temporary statutory accounting guidance, the Working Group may adopt an interpretation which creates new SAP or conflicts with existing SSAPs. Historically, these interpretations temporarily modified statutory accounting principles and/or specific disclosures were developed in response to nationally significant events (e.g., Hurricane Sandy, September 11, 2001). (Examples of time-sensitive issues that have previously provided INT exceptions to SAP include the transition from LIBOR and special situations such as the federal TALF program.) Interpretations that conflict with existing SSAPs shall be temporary and restricted to circumstances arising from the need to issue guidance for circumstances requiring immediate guidance. In order to adopt an interpretation that creates new SAP or conflicts with existing SSAPs, the Working Group must have 67% of its members voting (10 out of 15 members) with a super majority (7 out of 10, 8 out of 11 or 12, 9 out of 13, 10 out of 14, or 11 out of 15) supporting adoption.

- a. These interpretations are effective upon Working Group adoption, unless stated otherwise, and shall be reported to the Accounting Practices and Procedures (E) Task Force as part of its public report during the next NAIC national meeting (or earlier if applicable). In circumstances where the Working Group adopts an interpretation (which creates new SAP or conflicts with existing SSAPs) that is controversial in nature (i.e., due to regulator or industry feedback or could have a policy level impact), the Working Group may elect to postpone the effective date until the item has been discussed by the Task Force and the Financial Condition (E) Committee and both have had an opportunity to review the interpretation.
- b. These interpretations can be overturned, amended or deferred by a two-thirds majority of the Task Force membership. For clarification, a two-thirds majority of the Task Force requires two-thirds of the entire Task Force membership, not just those electing to vote. Additionally, interpretations can be overturned, amended, deferred, or referred to either the Task Force and/or the Working Group by a simple majority of the Financial Condition (E) Committee.

12. As new SSAPs are developed, it is essential to review and, if necessary, update the status of interpretations related to SSAPs that are being replaced and/or new SSAPs being developed. The following options are available to the Working Group when a SSAP with existing interpretations is replaced:

- a. **Interpretation of the new SSAP** - If the Working Group would like to maintain the interpretation, the new SSAP can be added to the list of statements interpreted by the interpretation. In addition, the status section of the new SSAP will list the interpretation number next to the heading "Interpreted by."
- b. **Nullification** - When an interpretation is nullified by a subsequent SSAP or superseded by another interpretation, the interpretation is deemed no longer technically helpful, is shaded and moved to Appendix H (Superseded SSAPs and Nullified Interpretations), and the reason for the change is noted beneath the interpretation title. The status section of the SSAP describes the impact of the new guidance and the effect on the interpretation (for example, nullifies, incorporated in the new SSAP with paragraph reference, etc.).



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- c. **Incorporation** - When an interpretation is incorporated into a new SSAP, the Working Group can choose from the following two options:
  - i. If the interpretation only interprets one SSAP, then the interpretation is listed as being nullified under the "affects" section of the SSAP and is not referenced under the "interpreted by" section of the status page of the SSAP.
  - ii. If the interpretation references additional SSAPs, and the Working Group intends to maintain the guidance, the interpretation is unchanged (no nullification). The new SSAP (Summary of Issue section) reflects that the interpretation issue has been incorporated into the new statement.

Adopted by the Reinsurance (E) Task Force on July 27, 2021



# **Process for Evaluating Qualified and Reciprocal Jurisdictions**

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## I. Preamble

### Purpose

The revised *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786) (collectively, the Credit for Reinsurance Models) require an assuming insurer to be licensed and domiciled in a “Qualified Jurisdiction” in order to be eligible for certification by a state as a certified reinsurer for reinsurance collateral reduction purposes. In 2012, the NAIC Reinsurance (E) Task Force was charged to develop an NAIC process to evaluate the reinsurance supervisory systems of non-U.S. jurisdictions, for the purposes of developing and maintaining a list of jurisdictions recommended for recognition by the states as Qualified Jurisdictions. This charge was extended in 2019 to encompass the recognition of Reciprocal Jurisdictions in accordance with the 2019 amendments to the Credit for Reinsurance Models, including the maintenance of a list of recommended Reciprocal Jurisdictions. The purpose of the *Process for Evaluating Qualified and Reciprocal Jurisdictions* is to provide a documented evaluation process for creating and maintaining these NAIC lists.

### Background

On November 6, 2011, the NAIC Executive (EX) Committee and Plenary adopted revisions to the Credit for Reinsurance Models. These revisions serve to reduce reinsurance collateral requirements for certified reinsurers that are licensed and domiciled in Qualified Jurisdictions. Under the previous version of the Credit for Reinsurance Models, in order for U.S. ceding insurers to receive reinsurance credit, the reinsurance was required to be ceded to U.S.-licensed reinsurers or secured by collateral representing 100% of U.S. liabilities for which the credit is recorded. When considering revisions to the Credit for Reinsurance Models, the Reinsurance (E) Task Force contemplated establishing an accreditation-like process, modeled on the current NAIC Financial Regulation Standards and Accreditation Program, to review the reinsurance supervisory systems of non-U.S. jurisdictions. Under the revised Credit for Reinsurance Models, the approval of Qualified Jurisdictions is left to the authority of the states; however, the models provide that a list of Qualified Jurisdictions will be created through the NAIC committee process, and that individual states must consider this list when approving jurisdictions.

The ~~enactment in 2010 of the~~ federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), ~~enacted in 2010. Further, the Dodd Frank Act authorizes the U.S. Treasury Secretary and the U.S. Trade Representative (USTR), jointly, to negotiate and enter into “covered agreements” on behalf of the United States. These are bilateral or multilateral—agreements with foreign governments, authorities or regulators relating to insurance prudential measures, which can preempt contrary state insurance laws or regulatory measures. The Dodd-Frank Act also created the Federal Insurance Office (FIO), which has the following authority:~~ (1) coordinate federal efforts and develop federal policy on prudential aspects of international insurance matters; (2) assist the Secretary of the U.S. Department of the Treasury in negotiating covered agreements ~~(as defined in the Dodd-Frank Act)~~; (3) determine whether the states’ insurance measures are preempted by covered agreements; and (4) consult with the states (including state insurance regulators) regarding insurance matters of national importance and prudential insurance matters of international importance. ~~Further, the Dodd Frank Act authorizes the U.S. Treasury Secretary and the U.S. Trade Representative (USTR), jointly, to negotiate and enter into covered agreements on behalf of the United States.~~ It is the NAIC’s intention to communicate and coordinate with the FIO and related federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

On September 22, 2017, the United States and the European Union (EU) entered into the “*Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance*.” A similar agreement with the United Kingdom (UK) was signed on December 18, 2018. Both agreements (collectively referred to as the “Covered Agreements”) will require the states to eliminate reinsurance collateral requirements for reinsurers licensed and domiciled in these jurisdictions within 60 months (five years) after signing or face potential federal preemption by the Federal Insurance Office (FIO) under the Dodd-Frank Act.

## Reciprocal Jurisdictions

On June 25, 2019, the NAIC Executive (EX) Committee and Plenary adopted revisions to the Credit for Reinsurance Models. These revisions were intended to conform the Models to the relevant provisions of the Covered Agreements. The Covered Agreements would eliminate reinsurance collateral requirements for EU and UK reinsurers that maintain a minimum amount of own funds equivalent to \$250 million and a solvency capital requirement (SCR) of 100% under Solvency II, among other conditions. Conversely, U.S. reinsurers that maintain capital and surplus equivalent to 226 million euros with a risk-based capital (RBC) of 300% of authorized control level would not be required to maintain a local presence in order to do business in the EU or UK or post reinsurance collateral. Under the revised Credit for Reinsurance Models, jurisdictions that are subject to in-force ~~Covered Agreements~~ are considered to be Reciprocal Jurisdictions,<sup>1</sup> and reinsurers that have their head office or are domiciled in a Reciprocal Jurisdiction are not required to post reinsurance collateral if they meet all of the requirements of the Credit for Reinsurance Models.

Under the revised Credit for Reinsurance Models, not only are jurisdictions that are subject to Covered Agreements treated as Reciprocal Jurisdictions for reinsurance collateral purposes, but any other Qualified Jurisdictions ~~can also have a pathway to~~ qualify for collateral elimination as a Reciprocal Jurisdictions. States that meet the requirements of the NAIC Financial Standards and Accreditation Program are also considered to be Reciprocal Jurisdictions.

The NAIC has updated and revised this *Process for Evaluating Qualified and Reciprocal Jurisdictions* to specify how Qualified Jurisdictions that recognize key NAIC solvency initiatives, including group supervision and group capital standards, and also meet the other requirements under the revised Credit for Reinsurance Models, will be recognized as Reciprocal Jurisdictions and receive similar treatment as that provided under the EU and UK Covered Agreements, including the elimination of reinsurance collateral and local presence requirements by the states.

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<sup>1</sup> The hypothetical possibility that a future covered agreement might not relate to reinsurance is addressed in Section 2F(1)(a)(i) of Model #785, which limits automatic Reciprocal Jurisdiction status to a covered agreement that “addresses the elimination, under specified conditions, of collateral requirements as a condition for entering into any reinsurance agreement with a ceding insurer domiciled in this state or for allowing the ceding insurer to recognize credit for reinsurance.”

## II. Principles for the Evaluation of Non-U.S. Jurisdictions

1. The NAIC model revisions applicable to certified reinsurers are intended to facilitate cross-border reinsurance transactions and enhance competition within the U.S. market, while ensuring that U.S. insurers and policyholders are adequately protected against the risk of insolvency. To be eligible for certification, a reinsurer must be domiciled and licensed in a Qualified Jurisdiction as determined by the domestic regulator of the ceding insurer. A Qualified Jurisdiction not subject to an in-force Covered Agreement under the Dodd-Frank Act may also be determined to be a Reciprocal Jurisdiction, and reinsurers that have their head office or are domiciled in any such Reciprocal Jurisdiction will not be required to post reinsurance collateral, provided they meet the minimum capital and financial strength requirements and comply with the other requirements of the Credit for Reinsurance Models.
2. The evaluation of non-U.S. jurisdictions as Qualified Jurisdictions and Reciprocal Jurisdictions will be conducted in accordance with the provisions of the Credit for Reinsurance Models and any other relevant guidance developed by the NAIC.
3. The evaluation of non-U.S. jurisdictions as Qualified Jurisdictions is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Financial Regulation Standards and Accreditation Program (Accreditation Program), adherence to international supervisory standards, and relevant international guidance for recognition of reinsurance supervision. It is not intended as a prescriptive comparison to the NAIC Accreditation Program. In order for a Qualified Jurisdiction that is not subject to an in-force Covered Agreement to be evaluated as a Reciprocal Jurisdiction, that Qualified Jurisdiction must agree to recognize the states' approach to group supervision, including group capital, and other such requirements as provided under the Credit for Reinsurance Models.
4. The states shall evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the Qualified Jurisdiction, both initially and on an ongoing basis, and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of Qualified Jurisdiction status is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.
5. Each state may evaluate a non-U.S. jurisdiction to determine if it is a Qualified Jurisdiction. A list of Qualified Jurisdictions will be published through the NAIC committee process. A state must consider this list in its determination of Qualified Jurisdictions, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Qualified Jurisdictions contained in the Credit for Reinsurance Models. The creation of this list does not constitute a delegation of regulatory authority to the NAIC. The regulatory authority to recognize a Qualified Jurisdiction resides solely in each state and the NAIC List of Qualified Jurisdictions is not binding on the states.
6. A list of Reciprocal Jurisdictions will be published through the NAIC committee process. Jurisdictions subject to an in-force Covered Agreement and states that meet the requirements of the NAIC Financial Standards and Accreditation Program are automatically included on the List of Reciprocal Jurisdictions. A state must consider this list in its determination of Reciprocal Jurisdiction status, and if the state approves a jurisdiction not on this list, the state must thoroughly document the justification for approving this jurisdiction in accordance with the standards for approving Reciprocal Jurisdictions contained in the Credit for Reinsurance Models. Under the

Credit for Reinsurance Model Law (as adopted by a state) the state must recognize the Reciprocal Jurisdiction status of jurisdictions subject to an in-force Covered Agreement.

7. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called “passporting,” as discussed more fully below in paragraph 15 of Section III~~under which the commissioner has the discretion to defer to another state’s determination that a jurisdiction is a Qualified or Reciprocal Jurisdiction. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings. The NAIC Lists of Qualified and Reciprocal Jurisdictions are intended to facilitate the passporting process.~~
8. Both Qualified Jurisdictions and Reciprocal Jurisdictions have ~~must~~ agreed to share information and cooperate with the state with respect to all applicable reinsurers domiciled within that jurisdiction, in accordance with the Credit for Reinsurance Models, as adopted by the state. Critical factors in the evaluation process include but are not limited to the history of performance by assuming insurers in the applicant jurisdiction and any documented evidence of substantial problems with the enforcement of final U.S. judgments in the applicant jurisdiction. A jurisdiction will not be a Qualified Jurisdiction if the commissioner has determined that it does not adequately and promptly enforce final U.S. judgments or arbitration awards.
9. The determination of Qualified Jurisdiction status can only be made with respect to the reinsurance supervisory system in existence and applied by a non-U.S. jurisdiction at the time of the evaluation.
10. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to the evaluation of the reinsurance supervisory systems of non-U.S. jurisdictions.

### **III. Procedure for Evaluation of Non-U.S. Jurisdictions**

#### **1. Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction.**

- a. Priority will be given to requests from the states and from those jurisdictions specifically requesting an evaluation by the NAIC.
- b. Formal notification of the NAIC's intent to initiate the evaluation process will be sent by the NAIC to the reinsurance supervisory authority in the jurisdiction selected, with copies to the FIO and other relevant federal authorities as appropriate. The NAIC will issue public notice on the NAIC website upon confirmation that the jurisdiction is willing to participate in the evaluation process. The NAIC will at this time request public comments with respect to consideration of the jurisdiction as a Qualified Jurisdiction. The process of evaluation and all related documentation are private and confidential matters between the NAIC and the applicant jurisdiction, unless otherwise provided in this document, subject to a preliminary confidentiality and information sharing agreement between the NAIC, relevant states and the applicant jurisdiction.
- c. Relevant U.S. state and federal authorities will be notified of the NAIC's decision to evaluate a jurisdiction.

#### **2. Evaluation of Jurisdiction**

- a. Evaluation Materials. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will initiate evaluation of a jurisdiction's regulatory system by using the information identified in Section A through Section G of the Evaluation Methodology (Evaluation Materials). The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will begin by undertaking a review of the most recent Financial Sector Assessment Program (FSAP) Report prepared by the International Monetary Fund (IMF), including the Technical Note on Insurance Sector Supervision, and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will also invite each jurisdiction or its designee to provide information relative to Section A through Section G of the Evaluation Methodology in order to update, complete or supplement publicly available information. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group may also request or accept relevant information from reinsurers domiciled in the jurisdiction under review.
- b. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will notify the jurisdiction of any information upon which the Working Group is relying. In that communication, the NAIC will invite the supervisory authority to compare the materials identified by the NAIC to the materials described in Appendix A and Appendix B, and provide information required to update the identified public information or supplement the public information, as required, to address the topics identified in Section A through Section G of the Evaluation Methodology. The use of publicly available information (e.g., the FSAP Report and/or the Insurance Sector Technical Note) is intended to lessen the burden on applicant jurisdictions by requiring the production of information that is readily available, while still addressing substantive areas of inquiry detailed in the Evaluation Methodology. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group's review at this stage will be focused on how the jurisdiction's laws, regulations, administrative practices and procedures, and regulatory authorities regulate the financial solvency of its domestic reinsurers in comparison to key

principles underlying the U.S. financial solvency framework<sup>2</sup> and other factors set forth in the Evaluation Methodology.

- c. After reviewing the Evaluation Materials, the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group may request that the applicant jurisdiction submit supplemental information as necessary to determine whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. The Working Group will address specific questions directly with the jurisdiction related to items detailed in the Evaluation Methodology that are not otherwise addressed in the Evaluation Materials.
- d. The NAIC will request that all responses from the jurisdiction being evaluated be provided in English. Any responses submitted with respect to a jurisdiction's laws and regulations should be provided by a person qualified in that jurisdiction to provide such analyses and, in the case of statutory analysis, qualified to provide such legal interpretations, to ensure that the jurisdiction is providing an accurate description.
- e. The NAIC does not intend to review confidential company-specific information in this process, and has focused the procedure on reviewing publicly available information. No confidential company-specific information shall be disclosed or disseminated during the course of the jurisdiction's evaluation unless specifically requested, subject to appropriate confidentiality safeguards addressed in a preliminary confidentiality and information-sharing agreement. If no such agreement is executed or the jurisdiction is unable to enter into such an agreement under its regulatory authority, the NAIC will not accept any confidential company-specific information.

### **3. NAIC Review of Evaluation Materials**

- a. NAIC staff and/or outside consultants with the appropriate knowledge, experience and expertise will review the jurisdiction's Evaluation Materials.
- b. Expenses with respect to the evaluations will be absorbed within the NAIC budget. This will be periodically reviewed.
- c. Timeline for review. A project management approach will be developed with respect to the overall timeline applicable to each evaluation.
- d. Upon completing its review of the Evaluation Materials, the internal reviewer(s) will report initial findings to the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation. Copies of the initial findings may also be made available to FIO and other relevant federal authorities subject to appropriate confidentiality and information-sharing agreements being in place.

### **4. Discretionary On-site Review**

- a. The NAIC may ask the jurisdiction under consideration for the opportunity to perform an on-site review of the jurisdiction's reinsurance supervisory system. Factors that the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will consider in determining whether an on-

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<sup>2</sup> The U.S. financial solvency framework is understood to refer to the key elements provided in the NAIC Financial Regulation Standards and Accreditation Program. Appendix A and Appendix B are derived from this framework.

site review is appropriate include the completeness of the information provided by the jurisdiction under review, the general familiarity of the jurisdiction by the NAIC staff or other state regulators participating in the review based on prior conduct or dealings with the jurisdiction, and the results of other evaluations performed by other regulatory or supervisory organizations. If the review is performed, it will be coordinated through the NAIC, utilizing personnel with the appropriate knowledge, experience and expertise. Individual states may also request that representatives from their state be added to the review team.

- b. The review team will communicate with the supervisory authority in advance of the on-site visit to clearly identify the objectives, expectations and procedures with respect to the review, as well as any significant issues or concerns identified within the review of the Evaluation Materials. Information to be considered during the on-site review includes, but is not limited to, the following:
  - i. Interviews with supervisory authority personnel.
  - ii. Review of organizational and personnel practices.
  - iii. Any additional information beneficial to gaining an understanding of document and communication flows.
- c. Upon completing the on-site review, the reviewer(s) will report initial findings to the **Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group**, including any significant issues or concerns identified. This report will be included as part of the official documentation of the evaluation.

## 5. Standard of Review

The evaluation is intended as an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards and relevant international guidance for recognition of reinsurance supervision. The standard for qualification of a jurisdiction is that the NAIC must reasonably conclude that the jurisdiction's reinsurance supervisory system achieves a level of effectiveness in financial solvency regulation that is deemed acceptable for purposes of reinsurance collateral reduction, that the jurisdiction's demonstrated practices and procedures with respect to reinsurance supervision are consistent with its reinsurance supervisory system, and that the jurisdiction's laws and practices satisfy the criteria required of Qualified Jurisdictions as set forth in the Credit for Reinsurance Models.

## 6. Additional Information to be Considered as Part of Evaluation

The NAIC may also consider information from sources other than the jurisdiction under review. This information includes:

- a. Documents, reports and information from appropriate international, U.S. federal and U.S. state authorities.
- b. Public comments from interested parties.
- c. Rating agency information.
- d. Any other relevant information.

## 7. Preliminary Evaluation Report

- a. NAIC staff and/or outside consultants will prepare a Preliminary Evaluation Report for review by the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group. This preliminary report will be private and confidential (i.e., may only be reviewed by Working Group members, designated NAIC staff, consultants, the states, the FIO and other relevant federal authorities that specifically request to be kept apprised of this information, provided that such entities have entered into a preliminary confidentiality and information-sharing agreement with the foreign jurisdiction. Any outside consultants retained by the NAIC will be required to enter into a confidentiality and nondisclosure agreement.).
- b. The report will be prepared in a consistent style and format to be developed by NAIC staff. It will contain detailed advisory information and recommendations with respect to the evaluation of the jurisdiction's reinsurance supervisory system and the documented practices and procedures thereunder. The report will contain a recommendation as to whether the NAIC should recognize the jurisdiction as a Qualified Jurisdiction.
- c. All workpapers and reports, including supporting documentation and data, produced as part of the evaluation process are the property of the NAIC and shall be maintained at the NAIC Central Office. In the event that the NAIC shall come into possession of any confidential information, the information shall be held subject to a confidentiality and information-sharing agreement, which will outline the appropriate actions necessary to protect the confidentiality of such information.

## 8. Review of Preliminary Evaluation Report

- a. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group's review of the Preliminary Evaluation Report will be held in regulator-to-regulator session in accordance with the NAIC Policy Statement on Open Meetings.
- b. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will make a preliminary determination as to whether the jurisdiction under consideration satisfies the Standard of Review and is deemed acceptable to be included on the NAIC List of Qualified Jurisdictions. If the preliminary determination is that the jurisdiction should not be included on the NAIC List of Qualified Jurisdictions, the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will set forth its specific findings and identify those areas of concern with respect to this determination.
- c. The results of the Preliminary Evaluation Report will be immediately communicated in written form to the supervisory authority of the jurisdiction under review.

## 9. Opportunity to Respond to Preliminary Evaluation Report

- a. Upon receipt of the Preliminary Evaluation Report, the supervisory authority will have an opportunity to respond to the initial findings and determination. This is not intended to be a formal appeals process that would initiate U.S. state administrative due process requirements.
- b. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will consider any response, and will proceed to prepare its Final Evaluation Report. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will consider the Final Evaluation Report for approval in regulator-to-regulator session in accordance with the NAIC Policy Statement on

Open Meetings. This report will be approved upon an affirmative vote of a majority of the members in attendance at this meeting.

- c. Upon approval of the Final Evaluation Report, the ~~Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group~~ will issue a public statement and a summary of its findings with respect to its determination. At this time, the Working Group will release the summary for public comment. The detailed report will be a confidential, regulator-only document. The report may be shared with any state indicating that it is considering relying on the NAIC List of Qualified Jurisdictions and has entered into a preliminary confidentiality and information-sharing agreement with the foreign jurisdiction.

## **10. NAIC Determination ~~Regarding~~ List of Qualified Jurisdictions**

- a. Once the ~~Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group~~ has adopted its Final Evaluation Report, it will submit the summary of its findings and its recommendation to the Reinsurance (E) Task Force at an open meeting. Upon approval by the Reinsurance (E) Task Force, the summary and recommendation will be submitted to the Executive (EX) Committee and Plenary, as well as to the FIO, USTR and other relevant federal authorities for consultation purposes. Upon approval as a Qualified Jurisdiction by the Executive (EX) Committee and Plenary, the jurisdiction will be added to the NAIC List of Qualified Jurisdictions. The NAIC will maintain the List of Qualified Jurisdictions on its public website and in other appropriate NAIC publications.
- b. In the event that a jurisdiction is not approved as a Qualified Jurisdiction, the supervisory authority will be eligible for reapplication at the discretion of the NAIC.
- c. Upon final adoption of the ~~Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group~~'s determination with respect to a jurisdiction, the Final Evaluation Report will be made available to individual U.S. state insurance regulators upon request and confirmation that the information contained therein will remain confidential.

## **11. Memorandum of Understanding (MOU)**

- a. A Qualified Jurisdiction must agree to share information and cooperate on a confidential basis with the U.S. state insurance regulatory authority with respect to all certified reinsurers domiciled within that jurisdiction.
- b. The International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding (MMoU) is the recommended method under which a Qualified Jurisdiction will agree to share information and cooperate with U.S. state insurance regulatory authorities. However, until such time as a state has been approved as a signatory to the MMoU by the IAIS, the state may rely on an MOU entered into by a “Lead State” designated by the NAIC. This Lead State will act as a conduit for information between the Qualified Jurisdiction and other states that have certified a reinsurer domiciled and licensed in that jurisdiction, and will share information with these states consistent with the terms governing the further sharing of information included in the NAIC Master Information Sharing and Confidentiality Agreement, and, as applicable, in the applicable IAIS MMoU, or in a bilateral MOU between the Lead State and the Qualified Jurisdiction ~~and pursuant to the NAIC Master Information Sharing and Confidentiality Agreement~~. The jurisdiction must also confirm in writing that it is willing to permit this Lead State to act as the contact for purposes of obtaining information concerning its certified reinsurers, provided the that Lead State share that information with the other states requesting the information only in a manner consistent with the terms

governing the further sharing of information included, as in the applicable, in the IAIS MMoU or bilateral MOU between the Lead State and the Qualified Jurisdiction.

- c. If a Qualified Jurisdiction has not been approved by the IAIS ~~for use of as a party to~~ the MMoU, it must enter into an MOU with a Lead State. The MOU ~~will also~~must provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions.
- d. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to this process.

## 12. Process for Evaluation after Initial Approval

- a. The process for determining whether a non-U.S. jurisdiction is a Qualified Jurisdiction is ongoing and subject to periodic review. The ~~Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group will perform a yearly review of Qualified Jurisdictions to determine whether there have been any significant changes over the prior year that might affect their status as Qualified Jurisdictions. This yearly review shall follow such abbreviated process as may be determined by the ~~Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group to be appropriate. It shall include a review of the jurisdiction's status as a Reciprocal Jurisdiction if the jurisdiction has been recognized by the NAIC as a Reciprocal Jurisdiction through the process established in paragraph 13.
- b. Qualified Jurisdictions must provide the ~~Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group with notice of any material change in the applicable reinsurance supervisory system that may affect the status of the Qualified Jurisdiction. A U.S. jurisdiction should also notify the ~~Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group if it receives notice of any material change in the applicable reinsurance supervisory system, or any adverse developments with respect to enforcement of final U.S. judgments, that may affect the status of the Qualified Jurisdiction. U.S. ceding insurers may also initiate notice to the Mutual Recognition of Jurisdictions (E) Working Group if they receive notice of any material change in the applicable reinsurance supervisory system or any adverse developments with respect to enforcement of final U.S. judgments. Upon receipt of any such notice, the ~~Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group will consider whether it is necessary to re-evaluate the status of the Qualified Jurisdiction. Any review will be conducted in accordance with the procedure set forth in paragraph 14.
- ~~e.a. If the Qualified Jurisdiction Working Group finds the jurisdiction to be out of compliance at any time with the requirements to be a Qualified Jurisdiction, the specific reasons will be documented in a report to the jurisdiction under review, and the status as a Qualified Jurisdiction may be placed on probation, suspended or revoked.~~
- ~~e.c. The Qualified Jurisdiction Working Group~~Mutual Recognition of Jurisdictions (E) Working Group will monitor those jurisdictions that have been approved as Qualified or Reciprocal Jurisdictions by individual states, but are not included on the applicable NAIC List of Qualified Jurisdictions.

## 13. Review of Qualified Jurisdictions as Potential Reciprocal Jurisdictions

- a. In undertaking the evaluation of whether to designate a Qualified Jurisdiction as a Reciprocal Jurisdiction, the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group shall utilize such processes and procedures as outlined in the immediately-preceding paragraphs 1 – 12 of Section III. *Procedure for Evaluation of Non-U.S. Jurisdictions* such as the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group deems is appropriate. Specifically, the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group will use processes and procedures outlined in paragraph 1 (*Initiation of Evaluation of the Reinsurance Supervisory System of an Individual Jurisdiction*), paragraph 3 (*NAIC Review of Evaluation Materials*), paragraph 7 (*Preliminary Evaluation Report*), paragraph 8 (*Review of Preliminary Evaluation Report*), paragraph 9 (*Opportunity to Respond to Preliminary Evaluation Report*), paragraph 10 (*NAIC Determination regarding List of Qualified Jurisdictions*), paragraph 11 (*Memorandum of Understanding*) and paragraph 12 (*Process for Evaluation after Initial Approval*), as modified for use with applicants for Reciprocal Jurisdiction status.
- b. A Qualified Jurisdiction may not be reviewed for inclusion on the NAIC List of Reciprocal Jurisdictions, unless it has undergone the *Evaluation Methodology* outlined in Section IV, and remains in good standing with the NAIC as a Qualified Jurisdiction. The Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group may, if it determines an extended review period to be appropriate after its initial approval of a new Qualified Jurisdiction, defer consideration of that jurisdiction as a possible Reciprocal Jurisdiction until there has been sufficient United States experience with that jurisdiction and its Certified Reinsurers that the Working Group believes it is appropriate to progress from collateral reduction to collateral elimination. Nothing in this process requires a finding that a Qualified Jurisdiction meets the standards for recognition as a Reciprocal Jurisdiction, and the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group may base such recommendations determination on all relevant information, which may include factors not specifically included in this Process for Evaluating Qualified and Reciprocal Jurisdictions.
- c. A list of Reciprocal Jurisdictions will be published through the NAIC committee process. Jurisdictions subject to an in-force Covered Agreement and states that meet the requirements of the NAIC Financial Standards and Accreditation Program are automatically included on the NAIC List of Reciprocal Jurisdictions. In making its recommendation with respect to whether a Qualified Jurisdiction that is not automatically designated as a Reciprocal Jurisdiction should be added to the NAIC List of Reciprocal Jurisdictions, the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group shall undertake the following analysis in making its evaluation:
  - i. The Qualified Jurisdiction must confirm that an insurer which has its head office or is domiciled in that jurisdiction shall receive credit for reinsurance ceded to a U.S.-domiciled assuming insurer in the same manner as the same insurer would receive credit for reinsurance assumed by an assuming insurers domiciled in that jurisdiction is received by United States ceding insurers;
  - ii. The Qualified Jurisdiction must confirm that it does not require a U.S.-domiciled assuming insurer to establish or maintain a local presence as a condition for entering into a reinsurance agreement with any ceding insurer subject to regulation by that jurisdiction or as a condition to allow the ceding insurer to recognize credit for such reinsurance;

- iii. The Qualified Jurisdiction must recognize the U.S. state regulatory approach to group supervision and group capital, by providing written confirmation by its competent regulatory authority that insurance groups that are domiciled or maintain their worldwide headquarters in ~~this state or a\_nother~~ jurisdiction accredited by the NAIC shall be subject only to their U.S. home jurisdiction's worldwide prudential insurance group supervision, including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision by the Qualified Jurisdiction at the level of the worldwide parent undertaking of the insurance or reinsurance group by the Qualified Jurisdiction;
  - iv. The Qualified Jurisdiction must provide written confirmation by its competent regulatory authority that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the states in accordance with a memorandum of understanding or similar document between a state and the Qualified Jurisdiction, including but not limited to the IAIS MMoU or other multilateral memoranda of understanding coordinated by the NAIC. This requirement may be satisfied by an MOU with a Lead State, which shall provide for appropriate confidentiality safeguards with respect to the information shared between the jurisdictions, similar to the MOU requirement outlined in paragraph 11 of this section III; and
  - v. The Qualified Jurisdiction must confirm that it will provide to the states on an annual basis confirmation that each eligible assuming insurer that is domiciled in the Qualified Jurisdiction continues to comply with the requirements set forth in Section 9C(2) and (3) of Model #786; i.e., must maintain, on an ongoing basis, minimum capital and surplus of no less than \$250,000,000, and maintains on an ongoing basis the required minimum solvency or capital ratio, as applicable.
- d. In order to satisfy the requirements of subsection (c) above, the chief insurance supervisor of the Qualified Jurisdiction being evaluated as a Reciprocal Jurisdiction may provide the NAIC with a written letter confirming, as follows:

[Jurisdiction] is a Qualified Jurisdiction under the NAIC *Credit for Reinsurance Model Law* (#785) and *Credit for Reinsurance Model Regulation* (#786), and is currently in good standing on the *NAIC List of Qualified Jurisdictions*. As the lead insurance regulatory supervisor for [Jurisdiction], I hereby confirm to the National Association of Insurance Commissioners (NAIC) and the chief insurance regulators of the 50 states, the District of Columbia and five U.S. territories the following:

- An insurer which has its head office or is domiciled in [Jurisdiction] shall receive credit for reinsurance ceded to a U.S.-domiciled assuming insurer in the same manner as credit would be granted for reinsurance assumed by insurers domiciled in [Jurisdiction]~~is received by United States ceding insurers~~. [Jurisdiction] does not require a U.S.-domiciled assuming insurer to establish or maintain a local presence as a condition for entering into a reinsurance agreement with any ceding insurer subject to regulation by [Jurisdiction] or as a condition to allow the ceding insurer to recognize credit for such reinsurance.

- [Jurisdiction] recognizes the U.S. state regulatory approach to group supervision and group capital, and confirms that insurance groups that are domiciled or maintain their worldwide headquarters in jurisdictions accredited by the NAIC shall be subject only to their U.S. home jurisdiction's worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, and will not be subject to group supervision at the level of the worldwide parent undertaking of the insurance or reinsurance group by the [Jurisdiction].
  - [Jurisdiction] confirms that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the states in accordance with a memorandum of understanding or similar document between a state and the [Jurisdiction].
  - [Jurisdiction] will annually provide to the states confirmation that applicable assuming insurers domiciled in [Jurisdiction] maintain minimum capital and surplus of no less than \$250,000,000, and maintain on an ongoing basis the required minimum solvency or capital ratio, as applicable.
  - Finally, I confirm that [Jurisdiction] will immediately notify the NAIC upon any changes to the assurances provided in this letter.
- e. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will perform a due diligence review of available public and confidential documents to confirm that to the best of its determination, the representations in the letter are true and accurate, and will prepare for the review by the Reinsurance Task Force a Summary of Findings and Determination recommending that the Qualified Jurisdiction be recognized as a Reciprocal Jurisdiction. Upon approval by the Task Force, the Summary of Findings and Determination must be adopted bywill be submitted for a vote of the NAIC Executive (EX) Committee and Plenary for inclusion on the List of Reciprocal Jurisdictions.
- f. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group, working in coordination with the Qualified Jurisdiction and the Reinsurance Financial Analysis (E) Working Group, must make a determination on a minimum solvency or capital ratio under which reinsurers licensed and domiciled in the Qualified Jurisdiction may assume insurance from U.S. ceding companies without posting reinsurance collateral. The applicable minimum solvency or capital ratio must be an effective measure of solvency, comparable to either an NAIC risk-based capital (RBC) ratio of three hundred percent (300%) of the authorized control level, or one hundred percent (100%) of the solvency capital requirement (SCR) as calculated under the Solvency II Directive issued by the European Union, giving due consideration to any applicable equivalency assessment conducted by the European Insurance and Occupational Pensions Authority (EIOPA) on the Qualified Jurisdiction with respect to Solvency II.

#### 14. Termination of Status as Qualified and/or Reciprocal Jurisdiction

- a. If the Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group finds the Qualified Jurisdiction to be out of compliance at any time with the requirements to be a Qualified

Jurisdiction, the specific reasons will be documented in a report to the jurisdiction under review. The Mutual Recognition of Jurisdictions (E) Working Group would then report any concerns to the Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities. and tThe status as a Qualified Jurisdiction may be placed on probation, suspended or revoked by the NAIC. If a Qualified Jurisdiction is also a Reciprocal Jurisdiction subject to a Covered Agreement, the Mutual Recognition of Jurisdictions (E) Working Group and the NAIC will initiate communications and consult with FIO, USTR and any other relevant federal and/or international authorities before any action is taken with respect to that Qualified Jurisdiction's status.

- b. Except for Reciprocal Jurisdictions entitled to automatic recognition, a jurisdiction's status as a Reciprocal Jurisdiction may be placed on probation, suspended or revoked for good cause in the same manner as provided for Qualified Jurisdictions under paragraph 12. If cause is found to question the fitness of a Reciprocal Jurisdiction that is subject to an in-force eCovered aAgreement, or its compliance with applicable requirements of the covered agreement, the Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group would report any concerns to its parentthe Reinsurance (E) Task Force for further discussion and communication with appropriate federal and/or international authorities. It is intended that compliance with the covered agreement will be addressed through the Joint Committee process established under the covered agreement, or through termination of the covered agreement by the parties to the covered agreement. The NAIC, individual state regulators and interested parties may raise these issues directly with FIO, USTR or other relevant federal authorities.
- c. Both Qualified Jurisdictions and Reciprocal Jurisdictions that are not subject to a covered agreement are obligated to provide notice to the Mutual Recognition of Jurisdictions (E) Working Group of any applicable changes to their reinsurance supervisory system or changes to the assurances provided in the letter set forth in paragraph 13. States and U.S. ceding insurers may also provide notice of such changes to the Working Group. Upon notice of any such material changes, the Working Group will meet in regulator-only session to determine if these changes are in fact material to continuing recognition by the NAIC as either a Qualified or Reciprocal Jurisdiction. The Working Group will work directly with the jurisdiction to address any issues that have been identified. If these issues cannot be resolved through this regulator-only dialogue, then the Working Group will report its recommendation to the Reinsurance Task Force, which will consider a suspension of the jurisdiction's status as a Qualified or Reciprocal Jurisdiction in open session. The Task Force will then make a recommendation to the NAIC Plenary on the action, if any, to be taken, which may include placing the Qualified or Reciprocal Jurisdiction's status on probation, or suspending or revoking its status.
- d. If a Qualified or Reciprocal Jurisdiction's status is placed on probation by the NAIC, the material change will be noted in an update to its Summary of Finding and Determination in order to provide notice to the states and U.S. ceding insurers of this material change. If the NAIC decides to suspend or revoke its status, the jurisdiction may be given a reasonable time period, no more than 18 months, to rectify its noncompliance with the standards and return it to good standing. Once the NAIC's suspension or revocation takes effect, it is expected that the same action will be taken by the respective states that have recognized the jurisdiction as a Qualified or Reciprocal Jurisdiction.

- e. There is no administrative right to appeal the decision of the NAIC with respect to the revocation of status as a Qualified or Reciprocal Jurisdiction, but the jurisdiction can apply for reinstatement after a one-year period.
- b.f. During the period in which a Qualified or Reciprocal Jurisdiction's status has been suspended by a state, any new reinsurance assumed by a reinsurer domiciled in that jurisdiction from a ceding insurer domiciled in that state will not be eligible for credit unless the transaction qualifies for credit on the basis of security posted by the ceding insurer or some other basis that does not depend on recognition of the jurisdiction as a Qualified or Reciprocal Jurisdiction. However, suspension does not affect credit for reinsurance that was already in force.
- g. If a Qualified or Reciprocal Jurisdiction's status is revoked by a state, then those Certified Reinsurers and/or Reciprocal Jurisdiction Reinsurers domiciled in that jurisdiction ~~no longer qualify for~~ that status, which generally ~~must~~ obligates them to post one hundred percent (100%) collateral on all ~~their~~ liabilities assumed from ceding insurers domiciled in that state. The state has the option to suspend a reinsurer's certification indefinitely, in lieu of revocation, in which case the obligation to post collateral applies prospectively to all new, renewed and amended reinsurance agreements. If the reinsurer's eligibility is revoked, it must be granted at least three months after the effective date of the revocation to cure any deficiency in collateral, unless exceptional circumstances make a shorter period necessary for policyholder and other consumer protection.
- h. The factors used in the evaluation of Reciprocal Jurisdictions are not the same as are utilized in the evaluation of Qualified Jurisdictions. A Qualified Jurisdiction that has been approved by the NAIC as a Reciprocal Jurisdiction may have its status as a Reciprocal Jurisdiction either suspended or revoked but still meet the requirements to be a Qualified Jurisdiction. However, if a Reciprocal Jurisdiction that is not subject to a covered agreement has its status as a Qualified Jurisdiction revoked, it cannot maintain its status as a Reciprocal Jurisdiction, because it must be a Qualified Jurisdiction to meet the requirements of a Reciprocal Jurisdiction.

## **15. Passporting Process for Certified and Reciprocal Jurisdiction Reinsurers**

- a. In order to facilitate multi-state recognition of assuming insurers and to encourage uniformity among the states, the NAIC has initiated a process called "passporting" under which the commissioner has the discretion to defer to another state's determination with respect to the requirements for both Certified Reinsurers and Reciprocal Jurisdiction Reinsurers. Passporting is based upon individual state regulatory authority, and states are encouraged to act in a uniform manner in order to facilitate the passporting process. States are also encouraged to utilize the passporting process to reduce the amount of documentation filed with the states and reduce duplicate filings.
- b. The passporting process is facilitated through the Reinsurance Financial Analysis (E) Working Group (ReFAWG). It is intended that ReFAWG will help facilitate multi-state recognition of Certified Reinsurers and Reciprocal Jurisdiction Reinsurers and address issues of uniformity among the states, both with respect to initial application and subsequent changes in rating or status. The ReFAWG Review Process is set forth in the *ReFAWG Procedures Manual*.

c. Section 9C(7) of the *Credit for Reinsurance Model Regulation (#786)* provides that the “assuming insurer’s supervisory authority must confirm to the commissioner on an annual basis that the assuming insurer complies with the requirements set forth in Paragraphs (2) [i.e., minimum capital and surplus of no less than \$250 million] and (3) [i.e., minimum solvency or capital ratio] of this subsection.” Section 9E(1) of Model #786 then provides that “The commissioner may accept financial documentation filed with another NAIC accredited jurisdiction or with the NAIC in satisfaction of the requirements of Subsection C.” A Reciprocal Jurisdiction may satisfy the requirements of Section 9C(7) of Model #786 either by providing the information required by Section 9C(7) itself, or by providing an assuming insurer domiciled in that Reciprocal Jurisdiction with a document confirming the required information, which the assuming insurer would file annually. With either filing method, in lieu of filing the required information directly with the domiciliary states of each of the reinsurer’s U.S. ceding companies, ~~the information may~~ could be filed with either ~~the~~ its Lead State or the NAIC, which will share this documentation with the other states through the ReFAWG Review Process in satisfaction of their respective filing requirements.

## IV. Evaluation Methodology

The Evaluation Methodology was developed to be consistent with the provisions of the NAIC Credit for Reinsurance Models. It is intended to provide an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program, adherence to international supervisory standards and relevant international guidance for recognition of reinsurance supervision. Although the methodology includes a comparison of the jurisdiction's supervisory system to a number of key elements from the NAIC Accreditation Program, it is not intended as a prescriptive assessment under the NAIC Accreditation Program. Rather, the NAIC Accreditation Program simply provide the framework for the outcomes-based analysis. The NAIC will evaluate the appropriateness and effectiveness of the reinsurance supervisory system within the jurisdiction and consider the rights, benefits and the extent of reciprocal recognition afforded by the jurisdiction to reinsurers licensed and domiciled in the U.S. The determination of a Qualified Jurisdiction is based on the effectiveness of the entire reinsurance supervisory system within the jurisdiction.

The Evaluation Methodology consists of the following:

- Section A: Laws and Regulations
- Section B: Regulatory Practices and Procedures
- Section C: Jurisdiction's Requirements Applicable to U.S.-Domiciled Reinsurers
- Section D: Regulatory Cooperation and Information Sharing
- Section E: History of Performance of Domestic Reinsurers
- Section F: Enforcement of Final U.S. Judgments
- Section G: Solvent Schemes of Arrangement

This information will be the basis for the Final Evaluation Report and the determination of whether the jurisdiction will be included on the NAIC List of Qualified Jurisdictions.

## Section A: Laws and Regulations

The NAIC will review publicly available information, as well as information provided by an applicant jurisdiction with respect to its laws and regulations, in an effort to evaluate whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. This will include a review of elements believed to be basic building blocks for sound insurance/reinsurance regulation.<sup>3</sup> A jurisdiction's effectiveness under Section A may be demonstrated through law, regulation or established practice that implements the general authority granted to the jurisdiction, or any combination of laws, regulations or practices that meet the objective.

The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will initiate evaluation of a jurisdiction's regulatory system by gathering and undertaking a review of the most recent FSAP Report, ROSC and any other publicly available information regarding the laws, regulations, practices and procedures applicable to the reinsurance supervisory system. The Qualified Jurisdiction Working Group Mutual Recognition of Jurisdictions (E) Working Group will simultaneously invite each jurisdiction (or its designee) to provide information relative to Section A (and other sections, as relevant) to assist the NAIC in evaluating its laws and regulations. The NAIC will review this information in conjunction with Appendix A, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this section. Appendix A is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction is requested to address the following information, which the NAIC will consider, at a minimum, in determining whether the outcomes achieved by the jurisdiction's laws and regulations meet an acceptable level of effectiveness for the jurisdiction to be included on the NAIC List of Qualified Jurisdictions:

1. Confirmation of the jurisdiction's most recent FSAP Report, including relevant updates with respect to descriptions or elements of the FSAP Report in which changes have occurred since the assessment or where information might otherwise be outdated.
2. Confirmation of the jurisdiction's ROSC, including relevant updates with respect to descriptions or elements of the ROSC in which changes have occurred since the report was completed or where information might otherwise be outdated.
3. If materials responsive to the topics under review have been provided in response to information exchanges between the jurisdiction under review and the NAIC, such prior responses may be cross-referenced provided updates are submitted, if required to address changes in laws or procedures.
4. Any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix A.

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<sup>3</sup> The basic considerations under this section are derived from Model #786, Section 8C(2), which include: (a) the framework under which the assuming reinsurer is regulated; (b) the structure and authority of the jurisdiction's reinsurance supervisory authority with regard to solvency regulation requirements and financial surveillance; (c) the substance of financial and operating standards for reinsurers domiciled in the jurisdiction; and (d) the form and substance of financial reports required to be filed or made publicly available by reinsurers domiciled in the jurisdiction and the accounting principles used.

The NAIC will review the information provided by the applicant jurisdiction and determine whether it is adequate to reasonably conclude whether the jurisdiction has sufficient authority to regulate the solvency of its reinsurers in an effective manner. After reviewing the initial submission, the NAIC may request that the applicant jurisdiction submit supplemental information as necessary in order to make this determination. An applicant jurisdiction is strongly encouraged to provide thorough, detailed and current information in its initial submission in order to minimize the number and extent of supplemental information requests from the NAIC with respect to Section A of this Evaluation Methodology. The NAIC will provide a complete description in the Final Evaluation Report of the information provided in the Evaluation Materials, and any updates or other information that have been provided by the applicant jurisdiction.

### **Section B: Regulatory Practices and Procedures**

Section B is intended to facilitate an evaluation of whether the jurisdiction effectively employs baseline regulatory practices and procedures to supplement and support enforcement of the jurisdiction's financial solvency laws and regulations described in Section A. This evaluation methodology recognizes that variation may exist in practices and procedures across jurisdictions due to the unique situations each jurisdiction faces. Jurisdictions differ with respect to staff and technology resources that are available, as well as the characteristics of the domestic industry regulated. A determination of effectiveness may be achieved using various financial solvency oversight practices and procedures. This evaluation is not intended to be prescriptive in nature.

The NAIC will utilize the information provided by the jurisdiction as outlined under Section A in completing this section of the evaluation. The NAIC will review this information in conjunction with Appendix B, which provides more detailed guidance with respect to elements the NAIC intends to consider on an outcomes basis in the evaluation under this section. Appendix B is not intended as a prescriptive checklist of requirements a jurisdiction must meet in order to be a Qualified Jurisdiction. Rather, it is provided in an effort to facilitate an outcomes-based comparison to financial solvency regulation under the NAIC Accreditation Program. An applicant jurisdiction should also provide any other information, descriptions or responses the jurisdiction believes would be beneficial to the NAIC's evaluation process in order to address, on an outcomes basis, the key elements described within Appendix B.

### **Section C: Jurisdiction's Requirements Applicable to U.S. Domiciled Reinsurers**

The jurisdiction is requested to describe and explain the rights, benefits and the extent of reciprocal recognition afforded by the non-U.S. supervisory authority to reinsurers licensed and domiciled in the U.S.

### **Section D: Regulatory Cooperation and Information-Sharing**

The Credit for Reinsurance Models require the supervisory authority to share information and cooperate with the U.S. state insurance regulators with respect to all certified reinsurers domiciled within their jurisdiction. The jurisdiction is requested to provide an explanation of the supervisory authority's ability to cooperate, share information and enter into an MOU with U.S. state insurance regulators and confirm that they are willing to enter into an MOU. This should include information with respect to any existing MOU with U.S. state and/or federal authorities that pertain to reinsurance. Both the jurisdiction and the states may rely on the IAIS MMoU to satisfy this requirement, and any states that have not yet been approved by the IAIS as a signatory to the MMoU may rely on an MOU entered into by a Lead State with the jurisdiction until such time that the state has been approved as a

signatory to the IAIS MMoU. The NAIC and the states will communicate and coordinate with the FIO, USTR and other relevant federal authorities as appropriate with respect to this process.

### **Section E: History of Performance of Domestic Reinsurers**

The jurisdiction is requested to provide a general description with respect to the historical performance of reinsurers domiciled in the jurisdiction. The NAIC does not intend to review confidential company-specific information under this section. Rather, it is intended that any information provided would be publicly available, unless specifically addressed with the jurisdiction under review. This discussion should address, at a minimum, the following information:

- a. Number of reinsurers domiciled in the jurisdiction, and a list of any reinsurers domiciled in the jurisdiction that have and maintain, on an ongoing basis, minimum capital and surplus, or its equivalent, of no less than \$250,000,000.
- b. Up to a 10-year history of any regulatory actions taken against specific reinsurers.
- c. Up to a 10-year history listing any reinsurers that have gone through insolvency proceedings, including the size of each insolvency and a description of the related outcomes (e.g., reinsurer rehabilitated or liquidated, payout percentage of claims to priority classes, payout percentage of claims to domestic and foreign claimants).
- d. Up to a 10-year history of any significant industry-wide fluctuations in capital or profitability with respect to domestic reinsurers.

**Drafting Note:** The NAIC will determine the appropriate time period for review on a case-by-case basis with respect to this information.

### **Section F: Enforcement of Final U.S. Judgments**

The NAIC has previously collected information from a number of jurisdictions with respect to enforcement of final U.S. judgments. The jurisdiction is also requested to provide a current description or explanation of any restrictions with respect to the enforcement of final foreign judgments in the jurisdiction. Based on the foregoing information, the NAIC will make an assessment of the effectiveness of the ability to enforce final U.S. judgments in the jurisdiction. This will include a review of the status, interpretations, application and enforcement of various treaties, conventions and international agreements with respect to final judgments, arbitration and choice of law. The Qualified Jurisdiction Working GroupMutual Recognition of Jurisdictions (E) Working Group will monitor the enforcement of final U.S. judgments and the Qualified Jurisdiction is requested to notify the NAIC of any developments in this area.

### **Section G: Solvent Schemes of Arrangement**

The jurisdiction is requested to provide a description of any legal framework that allows reinsurers domiciled in the jurisdiction to propose or participate in any solvent scheme of arrangement or similar procedure. In addition, the jurisdiction is requested to provide a description of any solvent scheme of arrangement or similar procedure that a domestic reinsurer has proposed or participated in and the outcome of such procedure.

## V. Appendices: Specific Guidance with Respect to Section A and Section B

It is important to note that Part IV, Section A: Laws and Regulations, and Part IV, Section B: Regulatory Practices and Procedures, are derived from the NAIC Financial Regulation Standards and Accreditation Program, which is intended to establish and maintain standards to promote sound insurance company financial solvency regulation among the U.S. states. As such, the NAIC Accreditation Program requires the states to employ laws, regulations and administrative policies and procedures substantially similar to the NAIC accreditation standards in order to be considered an accredited state.

However, it is not the intent of the Evaluation Methodology to require applicant jurisdictions to meet the standards required by the NAIC for accreditation. Instead, Section A and Section B (and their corresponding appendices) are intended to provide a framework to facilitate an outcomes-based evaluation by the NAIC and state insurance regulators of the effectiveness of the jurisdiction's supervisory authority. This framework consists of a description of the jurisdiction's laws, regulations, practices and procedures applicable to the supervision of its domestic reinsurers. The amount of detail provided within these appendices should not be interpreted as specific requirements that must be met by the applicant jurisdiction. Rather, the information is intended to provide direction to the applicant jurisdiction in an effort to facilitate a complete response and increase the efficiency and timeliness of the evaluation process.

## **Appendix A: Laws and Regulations**

### **1. Examination Authority**

Does the jurisdiction have the authority to examine its domestic reinsurers? This description should address the following:

- a. Frequency and timing of examinations and reports.
- b. Guidelines for examination.
- c. Whether the jurisdiction has the authority to examine reinsurers whenever it is deemed necessary.
- d. Whether the jurisdiction has the authority to have complete access to the reinsurer's books and records and, if necessary, the records of any affiliated company.
- e. Whether the jurisdiction has the authority to examine officers, employees and agents of the reinsurer when necessary with respect to transactions directly or indirectly related to the reinsurer under examination.
- f. Whether the jurisdiction has the authority to share confidential information with U.S. state insurance regulatory authorities, provided that the recipients are required, under their law, to maintain its confidentiality.

### **2. Capital and Surplus Requirement**

Does the jurisdiction have the authority to require domestic reinsurers to maintain a minimum level of capital and surplus to transact business? This description should address the following:

- a. Whether the jurisdiction has the authority to require reinsurers to maintain minimum capital and surplus, including a description of such minimum amounts.
- b. Whether the jurisdiction has the authority to require additional capital and surplus based on the type, volume and nature of reinsurance business transacted.
- c. Capital requirements for reinsurers, including reports and a description of any specific levels of regulatory intervention.

### **3. Accounting Practices and Procedures**

Does the jurisdiction have the authority to require domestic reinsurers to file appropriate financial statements and other financial information? This description should address the following:

- a. Description of the accounting and reporting practices and procedures.
- b. Description of any standard financial statement blank/reporting template, including description of content/disclosure requirements and corresponding instructions.

### **4. Corrective Action**

Does the jurisdiction have the authority to order a reinsurer to take corrective action or cease and desist certain practices that, if not corrected or terminated, could place the reinsurer in a hazardous financial condition? This description should address the following:

- a. Identification of specific standards which may be considered to determine whether the continued operation of the reinsurer might be hazardous to the general public.
- b. Whether the jurisdiction has the authority to issue an order requiring the reinsurer to take corrective action when it has been determined to be in hazardous financial condition.

## **5. Regulation and Valuation of Investments**

What authority does the jurisdiction have with respect to regulation and valuation of investments? This description should address the following:

- a. Whether the jurisdiction has the authority to require a diversified investment portfolio for all domestic reinsurers as to type, issue and liquidity.
- b. Whether the jurisdiction has the authority to establish acceptable practices and procedures under which investments owned by reinsurers must be valued, including standards under which reinsurers are required to value securities/investments.

## **6. Holding Company Systems**

Does the jurisdiction have laws or regulations with respect to supervision of the group holding company systems of reinsurers? This description should address the following:

- a. Whether the jurisdiction has access to information via the parent or other regulated group entities about activities or transactions within the group involving other regulated or non-regulated entities that could have a material impact on the operations of the reinsurer.
- b. Whether the jurisdiction has access to consolidated financial information of a reinsurer's ultimate controlling person.
- c. Whether the jurisdiction has the authority to review integrity and competency of management.
- d. Whether the jurisdiction has approval and intervention powers for material transactions and events involving reinsurers.
- e. Whether the jurisdiction has authority to monitor, or has prior approval authority over:
  - i. Change in control of domestic reinsurers.
  - ii. Dividends and other distributions to shareholders of the reinsurer.
  - iii. Material transactions with affiliates.

## **7. Risk Management**

Does the jurisdiction have the authority to require its domestic reinsurers to maintain an effective risk-management function and practices? This description should address the following:

- a. Whether the jurisdiction has Own Risk and Solvency Assessment (ORSA) requirements and reporting.
- b. Any requirements regarding the maximum net amount of risk to be retained by a reinsurer for an individual risk based on the reinsurer's capital and surplus.
- c. Whether the jurisdiction has authority to monitor enterprise risk, including any activity, circumstance, event (or series of events) involving one or more affiliates of a reinsurer that, if not remedied promptly, is likely to have a material adverse effect on the financial condition or liquidity of the reinsurer or its insurance holding company system as a whole.
- d. Whether the jurisdiction has corporate governance requirements for reinsurers.

**8. Liabilities and Reserves**

Does the jurisdiction have standards for the establishment of liabilities and reserves (technical provisions) resulting from reinsurance contracts? This description should address the following:

- a. Liabilities incurred under reinsurance contracts for policy reserves, unearned premium, claims and losses unpaid, and incurred but not reported (IBNR) claims (including whether discounting is allowed for reserve calculation/reporting).
- b. Liabilities related to catastrophic occurrences.
- c. Whether the jurisdiction requires an opinion on reserves and loss and loss adjustment expense reserves by a qualified actuary or specialist for all domestic reinsurers, and the frequency of such reports.

**9. Reinsurance Ceded**

What are the jurisdiction's requirements with respect to the financial statement credit allowed for reinsurance retroceded by its domestic reinsurers? This description should address the following:

- a. Credit for reinsurance requirements applicable to reinsurance retroceded to domestic and non-domestic reinsurers.
- b. Collateral requirements applicable to reinsurance contracts.
- c. Whether the jurisdiction requires a reinsurance agreement to provide for insurance risk transfer (i.e., transfer of both underwriting and timing risk).
- d. Requirements applicable to special purpose reinsurance vehicles and insurance securitizations.
- e. Affiliated reinsurance transactions and concentration risk.
- f. Disclosure requirements specific to reinsurance transactions, agreements and counterparties, if such information is not provided under another item.

**10. Independent Audits**

Does the jurisdiction require annual audits of domestic reinsurers by independent certified public accountants or similar accounting/auditing professional recognized in the applicant jurisdiction? This description should address the following:

- a. Requirements for the filing of audited financial statements prepared in conformity with accounting practices prescribed or permitted by the supervisory authority.
- b. Contents of annual audited financial reports.
- c. Requirements for selection of auditor.
- d. Allowance of audited consolidated or combined financial statements.
- e. Notification of material misstatements of financial condition.
- f. Supervisor's access to auditor's workpapers.
- g. Audit committee requirements.
- h. Requirements for reporting of internal control-related matters.

**11. Receivership**

Does the jurisdiction have a receivership scheme for the administration of reinsurers found to be insolvent? This should include a description of any liquidation priority afforded to policyholders and the liquidation priority of

| reinsurance obligations to domestic and non-domestic ceding insurers in the context of an insolvency proceeding of a reinsurer.

**12. Filings with Supervisory Authority**

Does the jurisdiction require the filing of annual and interim financial statements with the supervisory authority? This description should address the following:

- a. The use of standardized financial reporting in the financial statements, and the frequency of relevant updates.
- b. The use of supplemental data to address concerns with specific companies or issues.
- c. Filing format (e.g., electronic data capture).
- d. The extent to which financial reports and information are public records.

**13. Reinsurance Intermediaries**

Does the jurisdiction have a regulatory framework for the regulation of reinsurance intermediaries?

**14. Other Regulatory Requirements with respect to Reinsurers**

Any other information necessary to adequately describe the effectiveness of the jurisdiction's laws and regulations with respect to its reinsurance supervisory system.

## **Appendix B: Regulatory Practices and Procedures**

### **1. Financial Analysis**

What are the jurisdiction's practices and procedures with respect to the financial analysis of its domestic reinsurers? Such description should address the following:

a. **Qualified Staff and Resources**

The resources employed to effectively review the financial condition of all domestic reinsurers, including a description of the educational and experience requirements for staff responsible for financial analysis.

b. **Communication of Relevant Information to/from Financial Analysis Staff**

The process under which relevant information and data received by the supervisory authority are provided to the financial analysis staff and the process under which the findings of the financial analysis staff are communicated to the appropriate person(s).

c. **Supervisory Review**

How the jurisdiction's internal financial analysis process provides for supervisory review and comment.

d. **Priority-Based Analysis**

How the jurisdiction's financial analysis procedures are prioritized in order to ensure that potential problem reinsurers are reviewed promptly.

e. **Depth of Review**

How the jurisdiction's financial analysis procedures ensure that domestic reinsurers receive an appropriate level or depth of review commensurate with their financial strength and position.

f. **Analysis Procedures**

How the jurisdiction has documented its financial analysis procedures and/or guidelines to provide for consistency and continuity in the process and to ensure that appropriate analysis procedures are being performed on each domestic reinsurer.

g. **Reporting of Material Adverse Findings**

The process for reporting material adverse indications, including the determination and implementation of appropriate regulatory action.

h. **Early Warning System/Stress Testing**

Whether the jurisdiction has an early warning system and/or stress testing methodology that is utilized with respect to its domestic reinsurers.

## 2. Financial Examinations

What are the jurisdiction's practices and procedures with respect to the financial examinations of its domestic reinsurers? Such description should address the following:

a. Qualified Staff and Resources

The resources employed to effectively examine all domestic reinsurers. This should include whether the jurisdiction prioritizes examination scheduling and resource allocation commensurate with the financial strength and position of each reinsurer, and a description of the educational and experience requirements for staff responsible for financial examinations.

b. Communication of Relevant Information to/from Examination Staff

The process under which relevant information and data received by the supervisory authority are provided to the examination staff and the process under which the findings of the examination staff are communicated to the appropriate person(s).

c. Use of Specialists

Whether the supervisory authority's examination staff includes specialists with appropriate training and/or experience or whether the supervisory authority otherwise has available qualified specialists that will permit the supervisory authority to effectively examine any reinsurer.

d. Supervisory Review

Whether the supervisory authority's procedures for examinations provide for supervisory review.

e. Examination Guidelines and Procedures

Description of the policies and procedures the supervisory authority employs for the conduct of examinations, including whether variations in methods and scope are commensurate with the financial strength and position of the reinsurer.

f. Risk-Focused Examinations

Does the supervisory authority perform and document risk-focused examinations and, if so, what guidance is utilized in conducting the examinations? Are variations in method and scope commensurate with the financial strength and position of the reinsurer?

g. Scheduling of Examinations

Whether the supervisory authority's procedures provide for the periodic examination of all domestic reinsurers, including how the system prioritizes reinsurers that exhibit adverse financial trends or otherwise demonstrate a need for examination.

h. Examination Reports

Description of the format in which the supervisory authority's reports of examinations are prepared, and how the reports are shared with other jurisdictions under information-sharing agreements.

i. Action on Material Adverse Findings

What are the jurisdiction's procedures regarding supervisory action in response to the reporting of any material adverse findings.

## 3. Information Sharing

Does the jurisdiction have a process for the sharing of otherwise confidential documents, materials, information, administrative or judicial orders, or other actions with U.S. state regulatory officials, provided that the recipients are required, under their law, to maintain its confidentiality?

4. Procedures for Troubled Reinsurers

What procedures does the jurisdiction follow with respect to troubled reinsurers?

5. Organization, Licensing and Change of Control of Reinsurers

What processes does the supervisory authority use to identify unlicensed or fraudulent activities? The description should address the following:

a. Licensing Procedure

Whether the supervisory authority has documented licensing procedures that include a review and/or analysis of key pieces of information included in a primary licensure application.

b. Staff and Resources

The educational and experience requirements for staff responsible for evaluating company licensing.

c. Change in Control of a Domestic Reinsurer

Procedures for the review of key pieces of information included in filings with respect to a change in control of a domestic reinsurer.



To: Commissioner Scott A. White (VA), Financial Condition (E) Committee Chair  
From: Commissioner Marlene Caride (NJ), Financial Stability (E) Task Force Chair  
Date: July 27, 2021  
RE: Repurposing the *Liquidity Assessment (E) Subgroup* and its charges to an ongoing *Macroprudential (E) Working Group*

Earlier this year, the Financial Stability Task Force moved from the Executive Committee to the Financial Condition (E) Committee. As part of that move, the Task Force was charged with building out the NAIC macroprudential surveillance system. The current legal entity and group insurance surveillance system has been shaped over the last thirty years or so, while the Task Force is just beginning its work. We will need to assess the ability of the data and tools in that legal entity and group system to satisfy macroprudential surveillance needs. Modifications will likely need to be made, but new data and tools may also be needed in the future. There will be a significant amount of detail work involved in building this macroprudential surveillance system.

The Financial Stability Task Force also has some remaining Macro Prudential Initiative (MPI) work to complete for capital stress testing and counterparty disclosures. The MPI recovery and resolution item was addressed last year. Similarly, with the adoption of the 2020 Liquidity Stress Test (LST) Framework in May of this year, the liquidity risk MPI item has been addressed. However, the LST will be an ongoing activity managed by the Task Force.

To ensure the Financial Stability Task Force has appropriate support for this work, it adopted a motion to repurpose the Liquidity Assessment Subgroup to an ongoing Macroprudential Working Group with modified and expanded charges. The attached document shows the revised name and changes to the 2021 charges in track changes notation.

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